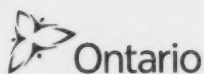


Provincial- Municipal Fiscal and Service Delivery Review

| Facing the Future Together |



PROVINCIAL-
MUNICIPAL FISCAL
AND SERVICE
DELIVERY REVIEW



MESSAGE FROM POLITICAL TABLE

FALL 2008

We are pleased to provide the Report of the Provincial-Municipal Fiscal and Service Delivery Review – Facing the Future Together, a joint effort of Ontario, the Association of Municipalities of Ontario and the City of Toronto. It describes a new approach to the funding and delivery of services in Ontario, and is a significant landmark in the provincial-municipal partnership.

Our report represents nearly two years of intensive work by municipal and provincial leaders. We want to begin by thanking the many people who contributed to our report. Members of the coordinating table and the working groups devoted many hours and travelled many miles from all corners of Ontario to advance this important work.

Through months of research, analysis and discussion, we have reached a new understanding among municipal governments and the Province about our individual and shared responsibilities and priorities and the opportunities before us.

We listened to each other and we learned from each other.

We developed a shared vision of an economically strong and competitive Ontario that offers a high quality of life to all of its residents.

Our consensus report announces the uploading of funding for services that have previously been partly paid for by municipal governments. This represents a net benefit of \$1.5 billion a year by 2018 and will create a new fiscal framework for the future. Property tax dollars currently used to pay for these services will become available for important municipal priorities, including infrastructure.

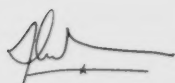
We collectively face an uncertain global economy and increasing demands on social services. We were mindful of the need to help protect the property tax base from these rising costs. The long-term approach we have chosen is a phased-in fiscal framework that is sustainable for the province and municipalities. Further, the path has been laid to help municipal governments as they set budgets and plan for the prosperity of our communities.

In this report we detail our commitment to work together on a number of specific endeavours – including ways to get real results for people who use our social services. The combined effect will bring benefits to all Ontarians in the years ahead.

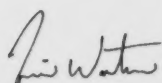
All parties agree that our dialogue has reflected a new collaborative approach. The review has firmly established a respectful and effective relationship. As we face the challenges and opportunities ahead, it will help us continue to work together for the prosperity of the people we all serve.

Our partnership is stronger than ever before. Together, we offer the people of Ontario a report that is the right plan for the times.

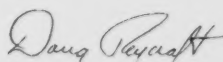
Respectfully,



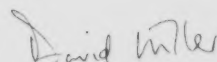
Hon. Dwight Duncan
Minister of Finance



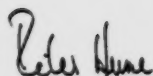
Hon. Jim Watson
*Minister of Municipal
Affairs and Housing*



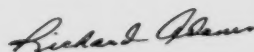
Doug Reycraft
*Lead, AMO Review Team
Immediate Past President
Association of Municipalities
of Ontario*



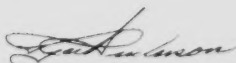
David Miller
Mayor, City of Toronto



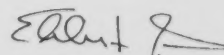
Peter Hume
*President, Association of
Municipalities of Ontario*



Richard Adams
*Mayor, Town of
Perry Sound*



Roger Anderson
*Chair, Regional
Municipality of Durham*



Eddie Francis
Mayor, City of Windsor



Hazel McCallion
Mayor, City of Mississauga



Michael Power
*Mayor, Municipality of
Georgetown*



Bob Sweet
Mayor, Town of Peterborough

CONTENTS

Executive Summary

Working in Partnership

The Backdrop

Facing Tomorrow Together

A shared vision

Public policy objectives

Key Findings

ODB and ODSP upload

Ontario Works

Ontario Municipal Partnership Fund

Mitigation funding

Court security

Additional issues and actions

Infrastructure

Services for people

The regulatory context

Additional research

Indicators of municipal fiscal health

Economic competitiveness

Continuing the Partnership

Appendices

Appendix A: Review Charter and Table Membership

Appendix B: Consultations and Submissions

Appendix C: The Working Tables

Appendix D: Locations of Ontario Courts

Appendix E: Infrastructure Chart and Maps

Appendix F: Indicators of Municipal Fiscal Health



EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report sets out the consensus achieved by the provincial government, the Association of Municipalities of Ontario (AMO) and the City of Toronto through a review of provincial-municipal arrangements. The review, which began late in 2006, reflected the spirit of the commitment to consultation set out in the *Municipal Act* and the *City of Toronto Act*. Its terms were broad in scope, covering fiscal relationships, infrastructure, and the delivery of human services.

The consensus described in this report aims to achieve a vision that the Province and Ontario municipalities share: an economically strong and competitive Ontario that offers a high quality of life to all of its residents. An overarching theme of the review was the need to achieve this vision in an accountable, affordable and sustainable manner. The partners also agree that they serve the same people, and can accomplish more by working together rather than in isolation.

Once fully implemented, this historic agreement represents a net benefit to the municipal sector of more than \$1.5 billion a year. We can summarize the fiscal outcome of the review by saying that we have turned the page on the funding of social assistance benefit programs, which are being removed from the property tax base. These uploads are being done without requiring municipalities to take on any new responsibilities in the process.

More specifically:

- The Province agreed in 2007 as an early outcome of the review to fully fund the Ontario Disability Support Program (ODSP) and the Ontario Drug Benefit (ODB) program, with the shift now under way and full phase-in by 2011.
- Starting in 2010, the Province will upload the municipal costs of Ontario Works benefits (income and employment assistance) over nine years.
- AMO, the City of Toronto and the Province of Ontario will recommend principles for revising the approach to funding Ontario Works administration and opportunities to simplify and strengthen accountability by January 1, 2010. The cost of administration of Ontario Works will continue to be shared on a 50:50 provincial/municipal basis given actual verifiable costs up to the approved allocation for 2009.
- Starting in 2009, the benefit to each municipality will be calculated as the combined benefit of its Ontario Municipal Partnership Fund (OMPF) grant plus the value of the uploads of ODB, ODSP and Ontario Works benefits, and will be compared to its March 2007 OMPF base grants.
- In 2009, the Province will ensure that the combined benefit of a municipality's savings from the ODB and ODSP administration uploads and its 2009 OMPF revenues will not be lower than its March 2007 OMPF allocation.

- The OMPF will decline to a level of about \$500 million by 2016 to reflect lower municipal social program costs as ODB, ODSP and Ontario Works benefits are uploaded.
- Starting in 2012, the Province will upload the costs of court security (including offender transportation) over seven years by providing funding to municipalities to a maximum of \$125 million annually at maturity.

In the area of infrastructure:

- Municipalities recognize the need to increase their investment in municipal infrastructure, in partnership with the provincial and federal governments.
- Participants in the review agreed that municipalities need to develop and share best practices in asset management planning.
- We agree to begin a joint provincial-municipal process to develop options regarding responsibilities and funding arrangements for roads and bridges.
- We affirm the need for partnership in public transit, such as the Province's Move Ontario 2020 approach in the Greater Toronto Area, and allocation of a portion of the provincial gasoline tax to transit.

Where services for people are concerned:

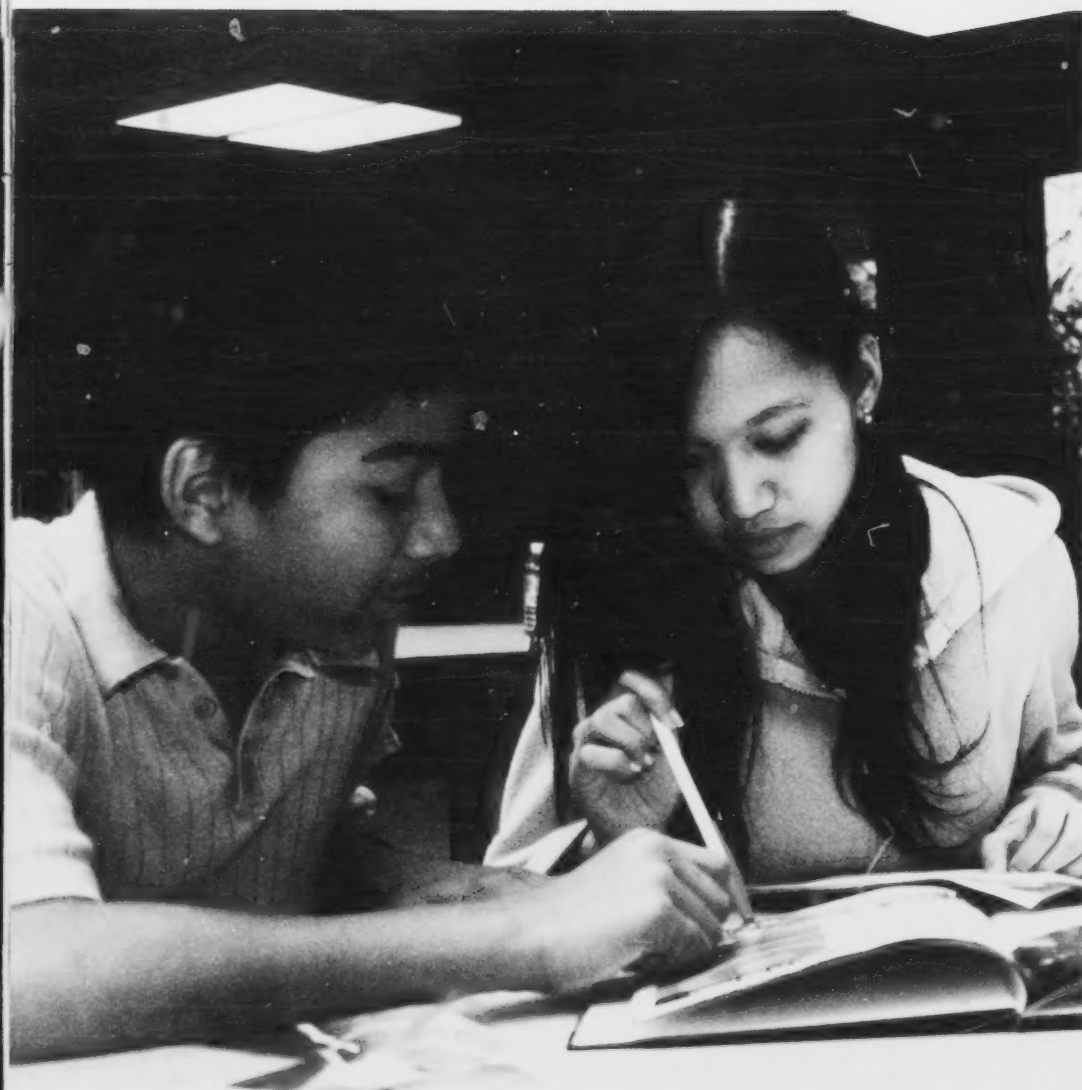
- We urge the federal government to fulfill its financial responsibility in such crucial areas as affordable housing, poverty reduction, adequate Employment Insurance for vulnerable people in Ontario, and public transit.
- The Province and municipalities will work towards consolidating the many existing housing and homelessness programs into an outcome-focused housing service managed at the municipal level.
- We will jointly develop an accountability framework for social services that focuses strongly on the results that programs achieve. The framework will apply to services for which the two orders of government share accountability.
- We agree to work together to simplify and modernize delivery of income assistance and employment-related supports. This will involve collaborating on further policy and fiscal analysis to identify opportunities.
- We further agree to better integrate Ontario Works, ODSP and Employment Ontario employment services to improve employment outcomes for clients and to make better use of resources.
- We will maintain current integration of public health programs and delivery arrangements, including flexibility in board of health governance structures, while improving integration of health promotion programs with social services and streamlining board of health interactions with provincial ministries.

- We will maintain current service delivery arrangements for land ambulance and we support in principle exploring integrated dispatch service subject to measurable results from the Niagara pilot project.
- We recommend better integration of child care and children's services to improve readiness to learn and healthy child development outcomes. We will also share the working table's scenarios with the Province's Early Learning Advisor.

Finally, we affirm that all new regulations with an impact on municipalities will continue to be reviewed through the Memorandum of Understanding with AMO and the Toronto-Ontario Cooperation and Consultation Agreement.

The points of agreement outlined here will change some funding arrangements and aim to improve the way that services are delivered. They do not, however, change service delivery responsibilities.

Our consensus flows from the analytical work of the working tables on infrastructure, service delivery accountability, and fiscal architecture and economic competitiveness. Not all the options developed by the working tables have been included as action items. The reports of the working tables on infrastructure and service delivery accountability, as well as a paper on economic competitiveness and a set of indicators of municipal fiscal health, served as valuable inputs into the review. Some of that work will help inform the implementation of various components of the consensus items. These background papers are available at www.amo.on.ca. The report reflects a consensus of the members of the political table. The table reports provided information, research, and recommendations to the political table members for their consideration. These reports were background documents developed in partnership by representatives of the Government of Ontario, AMO and the City of Toronto, and do not necessarily reflect the consensus views of all the partners.



WORKING IN PARTNERSHIP

In December 2006, the provincial government, the Association of Municipalities of Ontario (AMO) and the City of Toronto began working together to examine and update provincial-municipal arrangements. This mutually agreed-upon review reflected the commitment to cooperation and consultation set out in the *Municipal Act, 2001* and the *City of Toronto Act, 2006*.

The review, which was guided by the political table whose members have endorsed this document, focused on achieving a consensus on a new fiscal and service delivery partnership between the Province and Ontario municipalities. Its terms were broad in scope, covering fiscal relationships, infrastructure, and the delivery of human services. It also looked at how the partnership between the provincial and municipal governments could be updated to achieve a stronger, more competitive Ontario economy and a higher quality of life for the people of Ontario. Throughout the review, and in line with the review charter agreed to in December 2006, all parties have been guided by the need for:

- Long-term economic development and prosperity for Ontario and its communities;
- Affordability and fiscal sustainability for both orders of government;
- Fairness for people in Ontario;
- Timely infrastructure investments; and
- Provincial and municipal services effectively delivered across Ontario.

The review was managed by a coordinating table of senior provincial and municipal staff. The coordinating table oversaw the work of three working tables: one on service delivery accountability, one on infrastructure issues, and a third looking at fiscal architecture and economic competitiveness. Their background papers are available at www.amo.on.ca. The report reflects a consensus of the members of the political table. The table reports provided information, research, and recommendations to the political table members for their consideration. These reports were background documents developed in partnership by representatives of the Government of Ontario, City of Toronto and AMO, and do not necessarily reflect the consensus views of all the partners.

Members of each table represented a broad cross-section of municipal, provincial and other officials with particular expertise and interest in their table's mandate. Working tables met frequently over the course of the review and looked in depth at current challenges as well as opportunities to improve services in which both the Province and municipal governments have an interest.

Appendix A sets out the review mandate, charter and principles, and the membership of each of the tables.

The review process also engaged a broad range of stakeholders and members of the public and benefited from their comments, insights and advice. Appendix B provides a summary of this input. The coordinating table integrated all of this material and helped to advise the political table, made up of elected officials, which worked toward and approved the final consensus set out in this report.

The discussions reflected at times the different viewpoints of a large and diverse number of participants. Nonetheless, the strong existing provincial-municipal relationship and a continuing focus on meeting the needs of people across Ontario were beneficial in ensuring that a consensus was reached in a number of important areas.

This landmark report sets out new directions for the relationship between the Ontario Government and municipalities for the 21st century, touching on funding arrangements and improving services to people in Ontario. It reflects a consensus achieved through more than 18 months of analysis, review and discussion.

The review participants extend their thanks to staff members from the provincial and municipal orders of government who provided analysis, research, modeling and policy advice.

THE BACKDROP

People in Ontario are more educated, informed, diverse and mobile than ever before. They expect high-quality public services that are designed and delivered in ways that minimize the costs to them. All orders of government have been addressing these expectations since the early 1990s, which has affected the relationships and responsibilities between different orders of government.

Of particular relevance to this review are the changes to the provincial-municipal fiscal framework in the late 1990s. In 1996, the previous provincial government convened the "Who Does What" Advisory Panel to advise the government on "ways to eliminate duplication, over-regulation and blurred responsibility for the delivery of local and provincial services." The panel distinguished between "hard" services delivered to property (for example, road maintenance and sewers) and "soft" services delivered to people (for example, social assistance and education). It generally recommended shifting responsibility for funding hard services to municipalities and soft services to the Province.

Local Services Realignment

In 1998, the previous provincial government responded by imposing the Local Services Realignment (LSR), which uploaded the costs for public education to the Province, creating property tax room at the municipal level while downloading full or partial responsibility and costs for social housing, social assistance, public transit, child care, public health and land ambulance services to municipalities. The Province provided the Community Reinvestment Fund (CRF) to address local fiscal capacity, and committed that the process would be revenue neutral. In his 2001 Annual Report, the Provincial Auditor concluded that the CRF did not meet the previous government's guarantee of the revenue neutrality of LSR. From a municipal perspective, the LSR exercise was felt to be more about arbitrary fiscal savings targets than about improving service delivery and accountability. Owing to the unilateral nature of the exercise, this process caused significant strain in the provincial-municipal relationship. Since that time, municipalities have faced challenges meeting the increasing demands of infrastructure investment and program delivery.

THE PROVINCE AND MUNICIPALITIES ARE NOW ENJOYING A STRONG COOPERATIVE FOUNDATION

Memorandum of Understanding with MO in legislation

Addition of Protocol MOU to consult in Canada-Ontario discussions with municipal implications

Amendments to the *Municipal Act, 2001*

New City of Toronto Act, 2006

Signing of Toronto-Ontario Cooperation and Consultation Agreement

Planning Act and Ontario Municipal Board reforms put more emphasis on local decisions and give municipalities more planning and fiscal tools

In the same decade, the provincial government also transferred major assets, including more than 200 water treatment plants, 5,000 kilometres of highway and the related bridges, and roughly 250,000 social housing units, to municipalities. These assets, which were in variable states of repair, added considerably to the infrastructure responsibilities of most municipalities. At the same time, the province provided municipalities with one-time funding for transitional assistance (\$335 million for roads and \$175 million for non-profit housing).

Over the last five years, the Province and municipal governments have worked toward creating a more collaborative and productive relationship. This relationship has been recognized in legislative changes and formal consultation agreements.

The Province has also provided ongoing funding to help offset the higher costs of social programs and other responsibilities for municipalities. For example, between 2004 and 2007 the Province increased its portion of public health funding from 50% to 75%. As well, the government provided an additional \$300 million over three years, starting in 2006, for land ambulance costs. While municipalities have welcomed such changes, the purpose of this review has been to look more comprehensively at roles, responsibilities and relationships.

Major infrastructure investments

A number of developments aimed at meeting important policy goals have increased municipal infrastructure and operating costs. These include, for example, tighter environmental standards and other enhancements to health and safety regimes, municipal arbitration agreements and legislative changes. The Province has invested several billion dollars since 2003 – including \$4.8 billion over the past two fiscal years alone – to help municipalities bring their infrastructure to a state of better repair and upgrade and expand it. The Province has strongly underlined its ongoing commitment to public transit through the Move Ontario 2020 initiative in the Greater Toronto Area and by allocating a portion of provincial gasoline tax to municipalities for transit needs.

Today's provincial-municipal landscape is very different from that of the past. Public administration and governance are driven by increasing expectations and standards. The trends and shifts of past decades have led to an increasingly complex set of provincial-municipal relationships as both orders of government work to manage competing demands on their resources.

Increasingly, Ontario municipalities are finding ways to work together, not just compete with one another for new businesses and opportunities – in doing so, and with the Province as a partner, this will enhance economic competitiveness. This is particularly crucial given the economic challenges that have emerged since this review began.

Similarly, collaboration is essential for public services and infrastructure programs that are as efficient as possible and result in measurable gains to Ontario's quality of life, sustainability and prosperity.

The Province and municipal governments have shared interests and serve the same people as both taxpayers and beneficiaries of public services. More can be achieved if both orders work together rather than in isolation. This is the best way to get the greatest value possible from tax dollars and other public resources.

FACING TOMORROW TOGETHER

A shared vision

The provincial and municipal orders of government share a vision of a prosperous and liveable province and communities.

It is a province in which the critical gap between infrastructure needs and investments has been addressed and ongoing costs to repair, rehabilitate, replace and upgrade existing systems and build new ones are paid.

It is a province in which programs achieve successful outcomes for at-risk and vulnerable Ontarians.

It is a province where social assistance benefit programs are not funded through the property tax base.

The agreement described in this report is directed at achieving an economically strong and competitive Ontario that offers a high quality of life for all of its residents. An overarching theme has been the need to achieve this vision in an accountable, affordable and sustainable manner. This will mean providing services more efficiently, simplifying and consolidating arrangements where needed, and developing a stronger focus on results.

Public policy objectives

Important points of agreement representing good public policy emerged as we worked on solutions. Many of these were suggested and supported by the findings of the working tables, whose roles and findings are summarized in Appendix C.

FUNDING SOURCES AND USES NEED TO ALIGN BETTER

Services and infrastructure can generally be funded by property taxpayers and also service users, development charges, provincial/federal taxes and other revenues. Some of the revenue is raised on a regular basis, while some is received on a one-time basis. In general, the type of expenditure best supported by each source of funding is reasonably clear. An important element of this review has been to work toward better alignment of funding sources and uses. Broadly, the review has concluded that:

- Municipalities are in the best position to build and manage the infrastructure on which local residents rely most heavily and from which they derive most of the benefits. These include solid waste management, water and wastewater systems, local roads and public transit. Businesses and residents can be expected to pay a major share of the costs of these services through property tax, user fees, development charges, or a combination of these funding sources. The federal and provincial governments continue to take a partnership role in funding such assets in some cases.

- The provincial and federal orders of government have important roles to play in helping to support some forms of municipal infrastructure, particularly where their investment yields widespread benefits for people, the environment and the economy, such as public transit. As well, for health and safety reasons the Province may need to help municipalities that could not otherwise afford to maintain their public infrastructure at an adequate level.
- The partners acknowledge that broad-based social assistance benefit programs are generally best supported by province-wide revenues.
- Where the actions of one order of government could affect the costs of the other, it is important to try to ensure that the financial and other impacts can be managed and, if necessary, mitigated. Where this is not possible, the governments involved may need to look at other funding or accountability arrangements. Formal consultation and collaboration processes are set out in legislation for these purposes.
- Ontarians expect the federal government to be a full partner in responding to today's challenges and building tomorrow's prosperity. However, the federal government is not providing the same support to Ontario as it provides in most other regions of Canada in areas such as infrastructure, regional economic development, employment insurance, and health care. This places Ontario and its municipalities at a disadvantage in delivering high quality services and fostering a competitive and prosperous economy.

AFFORDABILITY AND ACCOUNTABILITY

Because people and businesses in Ontario are by far the largest sources of funding for the Province and municipalities, governments must look ultimately to the ability of residents to afford public services. The agreement set out here reflects an understanding of the fiscal tools available to each order of government, and is sensitive to the impacts of new arrangements on the plans of both orders of government.

To further ensure affordability, both orders of government must also spend public dollars efficiently in pursuit of the goals they have set. They must be able to show that they have acted in an accountable fashion. This helps to ensure services are affordable today and sustainable into the future.

SHARED ROLES AND RESPONSIBILITIES MUST BE CLEAR AND SIMPLE

Ontario's provincial and municipal governments all work in the interests of people in Ontario. Each brings a different perspective, knowledge and abilities to the table. In many instances, getting the best results possible means roles must be shared between the provincial and municipal orders of government.

Examples of shared provincial and municipal roles that are relevant to this review include:

- **ACHIEVING ECONOMIC COMPETITIVENESS.** The Province has a high-level view of the strengths of the provincial economy and global drivers of competitiveness, which helps to inform its goals for the economy. Municipalities bring valuable insights into the economic development process, through their close contacts with local employers and knowledge of local conditions, opportunities and challenges. Both orders of government are also involved in regulation, an area where streamlining and cooperation can make it much easier to start, run and expand businesses.
- **PROVIDING KEY SERVICES TO PEOPLE IN NEED, INCLUDING HOUSING, INCOME SUPPORT, PUBLIC HEALTH AND RELATED SERVICES.** The Province sets standards and overall direction for universal social programs and provides a significant share of funding for many programs and services. Municipalities fund, manage and deliver many provincially supported programs as well as such local services as parks and recreation programs that improve the quality of life.
- **ENSURING PUBLIC INFRASTRUCTURE IS SAFE, RELIABLE, AND FINANCIALLY AND ENVIRONMENTALLY SUSTAINABLE.** Municipalities own and manage major public assets, including water and wastewater plants and networks, housing, roads, bridges, transit systems and waste management facilities. As part of their responsibility, they undertake risk assessments and service level reviews. Together, these municipal systems make up the largest portfolio of public infrastructure in Ontario. The Province's role with respect to municipal infrastructure is mainly regulatory and standard-setting. It also provides funding and provides options for governance arrangements. For example, municipalities may set up corporations to deliver certain services. As well, the Province invests, often in partnership with municipalities, in its directly owned infrastructure, including provincial highways, GO transit, hospitals and government buildings.

A critical aspect of shared roles is their potential impact on service costs, efficiency and outcomes. Another key element is determining who should define the standard of service and set levels of service – the Province, the municipality, or both. To ensure a high degree of accountability when roles are shared, the responsibilities of each order of government must be clear.

Where shared roles and responsibilities are not carefully thought out and articulated, the results can include duplication, confusion about who is responsible for a service or accountable for results, and a regulatory burden that may be inappropriate or excessive. Resources that might be used to achieve better outcomes for people get diverted into less productive ends. Staff who should be focused on delivery instead gets mired in administration and paperwork, and people who should benefit from programs and services become frustrated by the lack of clear direction and accountability.

As noted, historical trends and shifts have tended to make the provincial-municipal relationship in Ontario highly intertwined. Simplifying and better managing roles and responsibilities within a shared accountability framework would place more emphasis on achieving better outcomes for people in Ontario rather than on process. It would also free up resources for individual communities' priorities.

This objective is paramount and calls for an ongoing, collaborative partnership between the Province and municipalities.

SOLUTIONS MUST TAKE COMMUNITY DIFFERENCES INTO ACCOUNT

Ontario municipalities are too diverse for a "one size fits all" approach. Differences in such factors as population and geographic size, demographics, economic activity and location present each municipality with a unique set of challenges. The impacts are reflected across the spectrum of public services: in infrastructure needs, design of and demand for social programs, economic development efforts and other local priorities. Where province-wide solutions are needed, they must be sensitive to these important differences.

The review process has focused on how best to reflect these important public policy objectives.



KEY FINDINGS

As we weighed possible directions for a renewed provincial-municipal relationship, the prime consideration was the degree to which it would help us achieve the vision for Ontario set out above. We also tested options against the guiding principles set out in Appendix A, which were agreed to early in the review and outlined in the initial charter.

We looked as well at the wider backdrop of important provincial initiatives:

- The Province's **poverty reduction strategy**, to be released at the end of 2008, will create opportunities for low income families to get ahead;
- The Province is working with other orders of government to provide low and moderate income households with **affordable housing**; and
- In 2007 it appointed Dr. Charles Pascal as an **early learning advisor** to recommend the best way to implement full-day learning for four and five year olds.

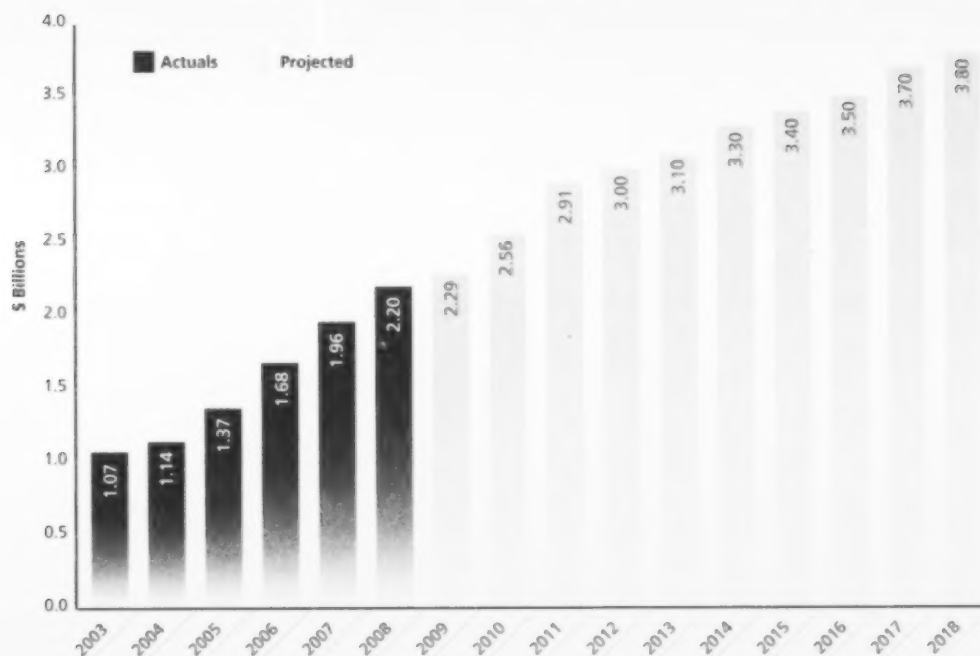
In some cases, the best option was to provide advice and input to those already working in these areas.

Our agreement will improve the way that services are delivered, but does not change service delivery responsibilities. As described below, some funding arrangements and accountability will change.

Finally, there was agreement that the federal government has a greater role to play in some key areas. It already takes a direct funding role with municipalities, for example through an allocation of the federal gas tax. In such areas as social housing and other infrastructure, we felt strongly that a greater commitment from the federal government was essential because these are areas of national significance. It is important for the federal government, working in concert with provinces, territories and municipalities, to create national strategies to reduce poverty, improve housing, support infrastructure and invest in public transit.

After investigating a very broad range of issues, we reached consensus to move forward. At maturity, our plan of action will result in a net benefit to municipalities of more than \$1.5 billion a year compared to 2007. Projected total support to municipalities, including other provincial initiatives, will be \$3.8 billion in 2018 – an increase of about 250% over 2003 (Figure 1).

FIGURE 1:
ONGOING SUPPORT TO MUNICIPALITIES IS INCREASING
 \$2.7 BILLION OR 250% INCREASE OVER 2003 BY 2018



Includes uploads of social assistance benefit programs (ODB, ODSP & OW Benefits), Court Security, Community Reinvestment Fund (CRF)/Ontario Municipal Partnership Fund (OMPF), Provincial Gas Tax Funding, Public Health and Land Ambulance.

Does not include one-time investments such as *Investing in Ontario Act* and Municipal Infrastructure Investment Initiative.

Source: Ministries of Finance, Transportation, Health & Long-Term Care, Community & Social Services.

To achieve this increase in support to municipalities, we are taking the following actions.

ODB AND ODSP UPLOAD

As noted earlier, as an early result of this review the Province agreed in 2007 to fully fund the Ontario Disability Support Program (ODSP) and the Ontario Drug Benefit (ODB) program.

ODSP provides eligible people with disabilities with financial help (called income support) and help finding work. ODB covers most of the cost of approved drugs and related products of eligible people including recipients of Ontario Works or ODSP assistance.

The Province is currently implementing the upload of ODSP and ODB, with the shift now under way and full phase-in by 2011. The cost of the two programs was previously shared by the Province and municipalities.

Figure 2 shows which components will be uploaded and when:

**FIGURE 2:
FOUR YEAR UPLOAD OF ODSP AND ODB**

	2007 Provincial Cost Shares	PROVINCIAL UPLOADS			
		2008	2009	2010	2011
Ontario Drug Benefits	80%	>>> 100%	100%	100%	100%
Ontario Disability Support Program Administration Component	50%	>>> >>>	100%	100%	100%
Ontario Disability Support Program Benefits Component	80%	>>> >>>	>>>	90%	100%

ONTARIO WORKS

The Province has agreed to fully fund Ontario Works benefits. These benefits are made up of income support and employment assistance to qualifying Ontario residents. At present, municipalities pay 20% of the cost of Ontario Works benefits, and the Province pays 80%. This upload will reduce municipal costs by more than \$400 million annually by 2018.

We agree that social assistance benefit programs are generally best supported by province-wide revenues rather than local property taxes. The Province sets eligibility criteria and rates for these programs, the costs of which tend to go up quickly when the economy turns down. By fully covering them from the provincial tax base, the Province will protect municipal expenditures from uncertainty and volatility. Because municipal governments know and understand local conditions and needs, they have an important role to play in delivering these services to their residents, and so will continue to administer the Ontario Works program.

AMO, the City of Toronto and the Province of Ontario will form a work group to discuss concerns with the current approach to funding Ontario Works administration and to recommend principles for future revisions and opportunities to simplify and strengthen accountability by January 1, 2010. The cost of administration of Ontario Works will continue to be cost-shared on a 50:50 provincial/municipal basis given actual verifiable costs up to the approved allocation for 2009.

Uploading Ontario Works benefits marks an historic shift in policy, as social assistance benefits in Ontario have been cost-shared between the Province and municipal governments since the early 1930s, when these programs were first developed. When the upload of ODB, ODSP and Ontario Works benefits is completed, the Province will fully fund all social benefits programs involving direct payment to individuals.

Starting in 2010, the Province will upload the municipal costs of Ontario Works benefits over nine years as follows:

FIGURE 3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OW Benefits	—	3%	6%	14%	29%	43%	57%	71%	86%	100%

ONTARIO MUNICIPAL PARTNERSHIP FUND (OMPF)

In 2005, the OMPF replaced the Community Reinvestment Fund as the Province's main transfer payment to municipalities. The OMPF is more equitable and transparent than its predecessor and provides municipalities in similar circumstances with similar funding. It helps municipalities with their social program costs, includes equalization measures, addresses challenges faced by northern and rural communities, and responds to policing costs in rural communities.

A key principle is that the OMPF remains responsive to changes in municipal circumstances, such as the upload of the ODB, and ODSP and OW benefits. Consistent with the normal operation of the OMPF, the social programs grants will be adjusted to reflect the reduction in municipal costs for these programs as the uploads are phased in. As a result, the OMPF will decline to a level of about \$500 million by 2016.

MITIGATION FUNDING

In 2009, the Province will be providing mitigation funding to assist municipalities that would normally see a reduction in their OMPF allocations because of the phase-out of the one-time and transitional funding they have received in past years under the OMPF.

Mitigation will be provided in 2009 to each individual municipality where the combined benefit of savings from the ODB and ODSP administration uploads and OMPF revenues is lower than its March 2007 OMPF allocation. The mitigation will equal the March 2007 OMPF allocation less the total of the 2009 OMPF and 2009 upload savings.

COURT SECURITY

Since the late 1980s, a municipality in which a provincial court is located has been responsible for the related security costs, although the court itself is run by provincial officials and its administration falls under the Ministry of the Attorney General. Court security is delivered by municipal police services or the OPP under contract to the municipality. Appendix D provides a list of provincial court locations in Ontario.

While security standards vary across the province, sometimes widely, costs are generally increasing. A further concern for affected municipalities is that they shoulder the security costs of cases involving residents of surrounding communities as well as their own.

The partners agreed that this funding arrangement needs to change.

Starting in 2012, the Province will upload the costs of court security (including offender transportation) over seven years, by providing funding to municipalities to a maximum of \$125 million annually at maturity. The following schedule shows the timing:

FIGURE 4

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Court security	—	—	—	14%	29%	43%	57%	71%	86%	100%

The Ministry of the Attorney General and the Ministry of Community Safety and Correctional Services will work with AMO and the City of Toronto to develop an implementation plan to move forward with two streams of work:

- Collection of current court security costs and data
- Development of court security standards, associated costs, and related governance

This work will be done in consultation with policing partners, the judiciary and other stakeholders.

ADDITIONAL ISSUES AND ACTIONS

There were a number of other issues and measures raised and considered by the working tables of the review. We have agreed to move forward with specific actions on a number of fronts, while in some areas the tables' work will help to shape new policies being developed as part of the Province's overall priorities. In other areas, the information and research informed discussion about existing arrangements.

Infrastructure

Infrastructure is important to economic competitiveness and quality of life in every municipality and the province as whole. Provincial and municipal governments invested heavily in infrastructure, especially in the 1950s and 1960s, in response to changing patterns of work and housing. That infrastructure is now, in many cases, reaching the end of its expected life.

Modeling carried out for the infrastructure working table estimated that it would take at least \$5.9 billion a year for 10 years to close a gap between total infrastructure needs of roughly \$9.8 billion and recent spending of about \$3.9 billion a year. The gap includes a backlog of needed upkeep to bring systems into a state of good repair. After the backlog is cleared, the ongoing gap would be an estimated \$3.7 billion a year to meet ongoing costs to rehabilitate, replace and upgrade existing systems and build new ones to meet growth needs. A chart outlining the nature of the infrastructure need, and maps showing how the need varies across the province, appear as Appendix E.

The provincial government has already made substantial investments in recent years to address the needs of municipal infrastructure. This included:

- \$1.1 billion through the *Investing in Ontario Act, 2008*
- \$1 billion announced in the 2008 provincial budget, including \$400 million for municipal roads and bridges, \$497 million for public transit projects in the Greater Toronto Area and Hamilton, and \$100 million for the rehabilitation of existing social housing units
- \$450 million for the construction or renewal of infrastructure in 243 communities through the Municipal Infrastructure Investment Initiative
- \$140 million for infrastructure in small and rural communities through the Rural Infrastructure Investment Initiative

Such investments play an important role in ongoing municipal capital expenditures. In 2006, municipal capital expenditures totalled \$7.3 billion. In all, the Province has provided close to \$7 billion to municipalities in the last three years, since the launch of ReNew Ontario.

In addition, municipalities benefiting from the upload of the three major social assistance benefit programs as a result of this review will, over time, have greater room in their budgets for infrastructure spending.

Municipalities recognize the need to increase their investment in municipal infrastructure, in partnership with the provincial and federal governments.

While the agreement reached through this review process and the Province's infrastructure investments provide potential fiscal room for many municipalities, the size of the gap in general and the needs relating to roads and bridges in particular suggest that additional measures are needed. The infrastructure table set out a package of options for consideration in its report. The following points reflect the provincial and municipal consensus.

ASSET MANAGEMENT PLANS

The infrastructure table's work to estimate the infrastructure gap showed why asset management plans are vitally important. Knowing more about the actual condition of assets is key to better planning. Asset management plans represent a more detailed approach to understanding how repairs, maintenance, upgrades and rehabilitation affect the usefulness of assets over time. The starting point is assessing the current age and condition of assets and then developing an investment plan for the life cycle of infrastructure assets. (The life cycle of an asset includes building it, running it and making repairs and upgrades as needed, and de-commissioning and disposal if necessary when its service life ends.) The goal of asset management planning is to ensure that infrastructure is in a condition to properly deliver the services for which it was built, while minimizing costs over the life cycle. Generally, the costs of developing asset management plans are repaid by the savings realized through timely decision-making.

Many municipalities are working on asset management plans in concert with their shift to accrual accounting for tangible capital assets in 2009. These plans provide a strong basis for the more strategic approach municipalities are taking to infrastructure investments, for example, through greater application of user-pay mechanisms and longer-term capital planning.

Participants in the review agreed that municipalities need to develop and share best practices in asset management planning.

ROADS AND BRIDGES

The modeling work done for this review suggests why roads and bridges are of particular concern to municipalities. As noted, in the 1990s the previous provincial government downloaded 5,000 kilometres of highway and the related bridges to municipalities. The life cycle and growth costs and unmet maintenance needs of municipal roads and bridges are high, amounting to an estimated \$2.8 billion a year over the next 10 years. This accounts for almost half the total estimated infrastructure gap. Moreover, there are limited means of funding this need.

Local property taxes are the main source of funding for local roads and bridges. Local roads, however, may carry people and goods through a community without stopping, incurring costs for the municipal government but not providing it with any revenue. Few roads and bridges lend themselves to recovering costs directly from users through user fees. In communities of low population density, investment needs are very high on a per-household basis.

The review partners have agreed to launch a joint provincial-municipal process to develop options regarding responsibilities and funding arrangements for roads and bridges. This will be based on established technical and functional criteria grounded in sound asset management principles.

The analysis will be launched quickly, with the goal of adding to currently available data to get a fuller picture of how roads and bridges are used, their condition and age, and other relevant factors. It might also point to opportunities to build greater capacity to manage these assets. As well, the process could help to establish more clearly what the federal role in supporting roads and bridges in Ontario should be, particularly with respect to the National Highway System.

Decisions on roads and bridges specifically would be made only after a joint provincial-municipal analysis was complete.

PUBLIC TRANSIT

We affirm the need for partnership in public transit. Existing examples include the Province's Move Ontario 2020 approach to the funding of transit assets in the Greater Toronto Area, and the allocation of a portion of the provincial gasoline tax that helps address the transit needs of large and small municipalities.

For this partnership to be complete, the federal government must have a strong role in funding public transit.

Services for people

The partners in this review agree that all three orders of government – federal, provincial and municipal – have a role to play in ensuring that people do not live in poverty and that all of our residents have access to affordable housing. These are areas where aligning responsibilities, funding and other resources properly is key to making a real difference in people's lives. We urge the federal government to fulfill its financial responsibility in the crucial areas of affordable housing, poverty reduction and public transit.

The focus in providing services for people should be on allowing them to work as productively as possible and to live with dignity. Managing and delivering programs more efficiently and getting people into jobs more quickly will also help the financial health of both orders of government.

At present, the delivery and governance of services for people in need are highly complex and the provincial-municipal roles very much intertwined. A wide range of supports is available, including financial assistance, child care, housing subsidies, and help with job searches. These are not well integrated, however, creating the risk of overlaps that waste time and resources as well as gaps that keep people from getting the help they need.

Initiatives are needed in several areas to make the system work more efficiently and achieve the right outcomes.

HOUSING AND HOMELESSNESS

Housing and homelessness services and programs are currently delivered in Ontario through more than 20 programs. These involve three ministries (Ministry of Health and Long-Term Care, Ministry of Community and Social Services, and the Ministry of Municipal Affairs and Housing). The result is a fragmented and inefficient approach to achieving program outcomes and meeting client needs.

The review partners will work towards consolidating the existing range of housing and homelessness programs into a housing service managed at the municipal level. This service should focus on better long-term outcomes for the people who use it and form a key element of the Province's Long-Term Affordable Housing Strategy.

This effort will focus on enhancing the capacity of municipalities by coordinating community-based local service delivery and build on multi-year housing plans. It will also harmonize the policy and program areas at the provincial level as part of the new housing strategy.

ACCOUNTABILITY FRAMEWORK

At present, several accountability mechanisms are used for cost-shared programs. These are linked mainly to "units of service" rather than outcomes for the people being served. The municipal and provincial governments will jointly develop an accountability framework for social services that focuses strongly on the results that programs achieve. The framework will apply to services for which the two orders of government share accountability.

A community human service plan, which encompasses a range of social services, will underpin the new accountability framework. Each plan will include community outcome measures and targets to ensure services are achieving the right results.

This arrangement will be phased in as policies and funding frameworks that are more closely aligned to outcomes for clients are developed for each program, such as social assistance, homelessness, child care and housing.

The partners agreed to introduce a shared accountability framework for cost-shared programs – as outcomes-based policy and funding frameworks are developed for each program.

CHILD CARE

Better integration of child care and children's services would improve readiness to learn and healthy child development outcomes, as well as supporting low income working parents.

We will share the work of the service delivery accountability table in this area with the Province's Early Learning Advisor, who is currently advising the Premier on how best to implement full-day learning for Ontario's four and five year olds.

INCOME AND EMPLOYMENT SUPPORTS AND PLANNING

Several provincial programs in the area of income and employment supports help people who face barriers to get jobs. The municipally delivered Ontario Works program provides assistance to people in temporary financial need. ODSP supports people with disabilities, including those who want to work. Employment Ontario services, which are funded by the Province and largely delivered by third parties, help people who are not on social assistance get or improve jobs.

These supports are not well integrated and, for the individual looking for help, can be hard to access and confusing.

The review partners agree to work together in a timely manner to simplify and modernize delivery of income assistance and employment-related supports. This will involve collaborating on further policy and fiscal analysis to identify opportunities.

We further agree to better integrate Ontario Works, ODSP and Employment Ontario employment services to improve employment outcomes for clients and to make better use of resources.

Finally, an ongoing concern for the Province and Ontario municipalities is the federal government's continued failure to treat unemployed workers in Ontario fairly in its Employment Insurance program. Across Ontario, the shortfall in Employment Insurance benefits amounts to \$2.1 billion each year.

We call upon the federal government to redress this unfairness by giving unemployed Ontarians the same treatment they would get if they lived elsewhere in Canada. This would create a more efficient labour market and better support our economic prosperity.

PUBLIC HEALTH

At present, the province's 36 boards of health function under different governance structures; while 22 boards are autonomous, the others are integrated into municipal administrative structures or function within a regional government or single tier city. Depending on the structure, the boards may include municipal representatives appointed by municipal councils or municipal councils themselves may act as the board of health. Every board of health is required by legislation to appoint a medical officer of health. Mandatory public health programs are cost-shared between the Province and municipalities and some other programs are 100% provincially funded.

The public health system's mandate is to improve the health of the population through assessment, health surveillance, health promotion, injury and disease prevention and health protection.

The current integration of public health programs and delivery arrangements will continue, as will the flexibility in board of health governance structures.

We will make efforts to improve integration of health promotion programs with social services and streamline board of health interactions with the relevant ministries (Ministry of Health and Long-Term Care, Ministry of Children and Youth Services and Ministry of Health Promotion).

LAND AMBULANCE SERVICE

Municipalities and designated delivery agents are responsible for delivering land ambulance service, with the Province setting delivery standards and funding half the approved costs. Operationally, Central Ambulance Communications Centres (CACCs) administered by the Province dispatch all ambulances within large geographic areas. A pilot project is under way in Niagara Region in which dispatch is administered by the municipality along with other emergency services.

The current service delivery arrangements will continue. There was support in principle at the working table to explore integration of dispatch service at the municipal level, subject to measurable results from the Niagara pilot.

THE REGULATORY CONTEXT

Regulation and oversight are valuable in many areas to protect the public interest, achieve public policy goals, ensure public health and safety, and provide consistent service delivery across the province. The working and coordinating tables discussed the risk, however, that regulations can drive up the costs of administering and providing services and managing municipal infrastructure.

The Province reaffirms that any new provincial regulations with any potential impact on municipalities will continue to be reviewed through existing processes set out in the Memorandum of Understanding with AMO and the Cooperation and Consultation Agreement with the City of Toronto. The purpose is to identify and disclose the costs and benefits of a regulation and to discuss options for mitigating costs before it is adopted.

ADDITIONAL RESEARCH

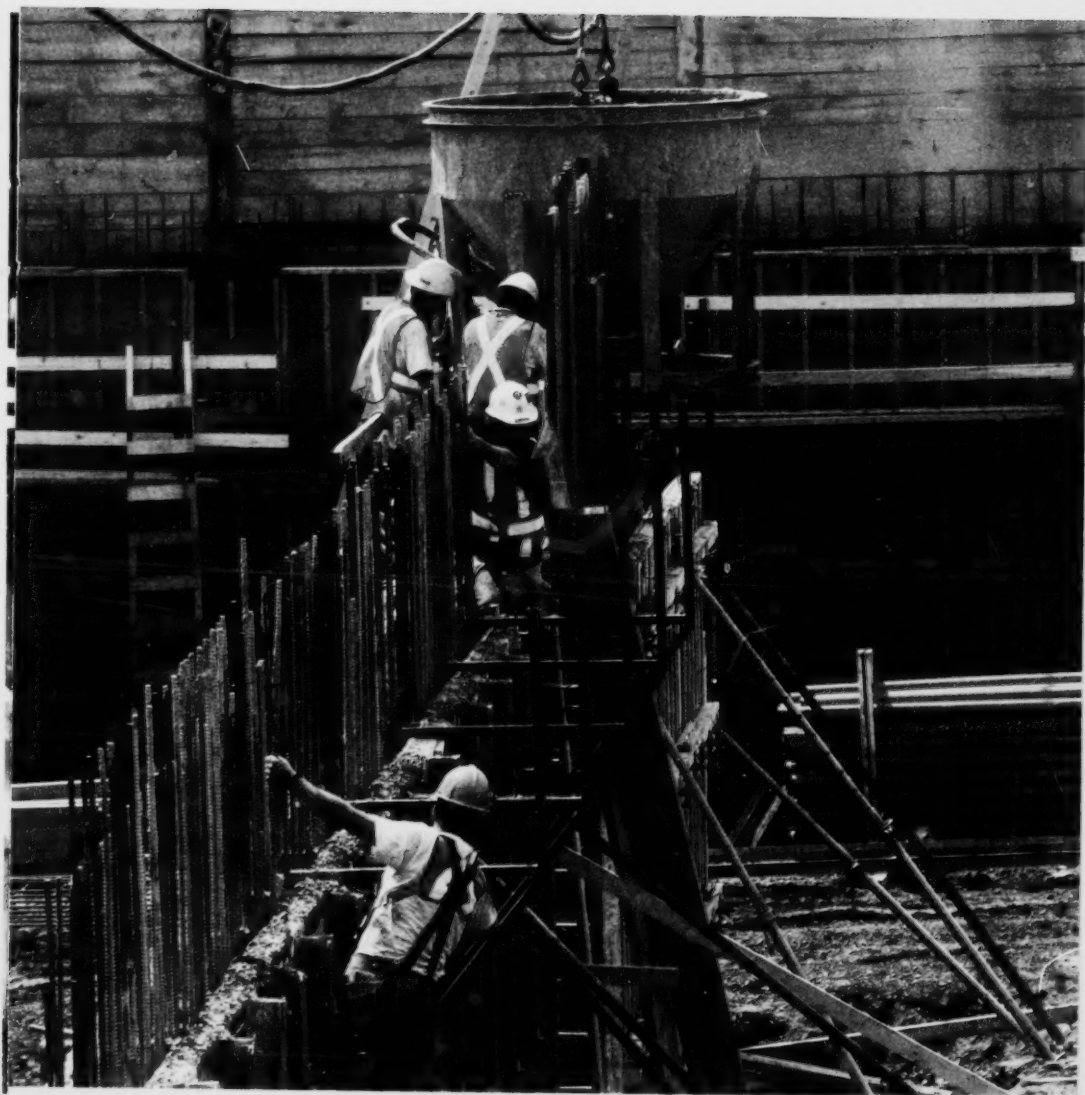
The fiscal architecture and economic competitiveness table oversaw the development of two research products, Indicators of Municipal Fiscal Health, Appendix F of this report, and a background paper on economic competitiveness which is available at www.amo.on.ca. These products were used to inform the discussions at the working tables and will provide guidance for future provincial-municipal work.

1) Indicators of municipal fiscal health

Provincial and municipal officials together developed a set of indicators of municipal fiscal health. A single overall composite "score" reflects a municipality's results relative to other municipalities. This is derived from six categories of indicators, with each category itself a composite of several measures. The intent is to capture a broad range of key factors related to spending, revenues, assets, liabilities, and broader influences on municipal fiscal health. Appendix F sets out a summary of the indicators. It is the intent to continue to refine this valuable work, which will further the Province's understanding of the municipal condition.

2) Economic competitiveness

Keeping Ontario's economy competitive requires us to recognize that the building blocks of prosperity are found at the local level. For this reason, we support ongoing dialogue and cooperation among businesses, government and community groups within municipalities and regions. All orders of government need to be actively involved in building prosperous communities. This document is one of the background papers developed in partnership by representatives of the Government of Ontario, AMO and the City of Toronto, and does not necessarily reflect the consensus views of all partners.



CONTINUING THE
PARTNERSHIP

The release of this report does not mean an end to the work that the review began. Through the Memorandum of Understanding with AMO and the Toronto-Ontario Cooperation and Consultation Agreement, the partners will monitor implementation of the actions that this report identifies. We will continue to cooperate on such broader initiatives of mutual interest as the review of court security standards, assessment of road and bridge responsibilities and development of human services plans for communities. We will also consider the advice provided by the working tables as a means of informing future public policy.

Through these and other efforts, we will continue to work together to sustain and broaden the collaborative provincial-municipal relationship. The joint effort of discussing and researching in depth several areas where the Province and municipal governments share goals and functions has already strengthened this relationship.

Through these activities, the municipalities of Ontario and the provincial government will continue the historic process of partnership and collaboration that was responsible for the success of this review.



APPENDICES

APPENDIX A REVIEW CHARTER AND TABLE MEMBERSHIP

REVIEW CHARTER

Introduction

The Government of Ontario and Ontario's municipal governments, as represented by the Association of Municipalities of Ontario and the City of Toronto, have embarked on a new partnership of mutual respect and a shared objective of strong and sustainable communities. This builds on a relationship that has been characterised in recent years by consultation, significant investments, cooperation, and joint achievements.

Important progress has been made, but areas of concern remain.

In accordance with the commitment to consultation outlined in the *Municipal Act, 2001* and the *City of Toronto Act, 2006* the Province and its municipal partners have agreed to undertake a joint review (the "Review") of the provincial-municipal fiscal and service delivery relationship.

Each order of government recognizes this Review as a priority; and, will commit the necessary resources to facilitate its timely and thorough completion.

Purpose

The Government of Ontario and its municipal partners will embark on a review of the provincial-municipal relationship that will focus on identifying a new fiscal and service delivery partnership for the 21st century. The Review will be broad in scope, including the financing and funding relationship, as well as service delivery and service governance.

The Review shall begin in fall 2006 and be completed in spring 2008, and produce a consensus-based summary report for public release, including recommendations for next steps and implementation thereafter.

The process will not preclude other provincial-municipal discussions including those related to specific municipal governments.

Main Goal

The Review should lead to a sustainable, provincial-municipal relationship where both orders of government can meet their responsibilities and will focus on:

- Affordability and fiscal sustainability for both orders of government;
- Fairness for taxpayers and residents;
- Timely infrastructure investments;
- Provincial and municipal services effectively delivered across Ontario; and
- Long-term economic development and prosperity for Ontario and its communities.

Guiding Principles of Review

STRATEGIC AND FORWARD-LOOKING The Review will focus on a new fiscal and service delivery partnership for the 21st century.

AFFORDABLE Solutions must work and be consistent with the fiscal plans of both orders of government.

FLEXIBLE Arrangements should acknowledge the diversity of Ontario's municipalities (single, upper and lower tier municipalities) and areas of the province (north-south, east-west, and rural-urban).

ACCOUNTABLE The roles and responsibilities of each order of government in delivery and/or funding of a given service should be clear to avoid duplication and overlap.

TRANSPARENT To the greatest extent possible, service delivery and fiscal arrangements should be straightforward, consistently applied and not complicated by ad hoc adjustments.

GOOD PUBLIC AND FISCAL POLICY Changes in fiscal and service delivery arrangements must be driven by a clear public policy purpose and evidence that new arrangements will better achieve that purpose.

FAIR AND EQUITABLE Solutions should be fair and equitable for the Province, for municipalities, and for taxpayers.

RESPONSIVE Delivering a high quality of service that responds to the needs of Ontarians.

SUSTAINABLE Long-term solutions should be sustainable for both the Provincial and municipal governments and recognize the ability of both orders of government to manage financial risks.

Review Structure

The review will be guided by a political table of provincial and municipal elected officials leading to a final consensus-based report.

The review process shall be conducted jointly between the Province and its municipal partners and include a common set of procedures and a communications protocol.

The joint review will benefit from full and timely sharing of provincial and municipal information, data and analysis.

The review will be managed by a coordinating table of senior provincial and municipal staff who will:

Develop a detailed review plan, to be approved by the political table, including:

- timelines to spring 2008;
- sequencing of Review issues;
- key milestones;
- communications and information-sharing protocols; and
- other elements as necessary.

Coordinate financial, staff and technical resources/expertise needed to support the Review in order to provide for a wide-ranging exploration of all options.

Advise the political table regarding the need to consult with other groups which may have an interest in the Review.

TABLE MEMBERSHIP

Co-ordinating Table

NIGEL BELLCHAMBER, General Manager, Ontario Municipal Administrators' Association

THERESA CARON, Chief Administrative Officer, Town of New Tecumseth

DAVID COURT, Chief Administrative Officer, District of Algoma

RIA COLOUHOON, Chief Administrative Officer, County of Perth

MICHAEL GARRETT, Chief Administrative Officer, Regional Municipality of York

SHIRLEY HOY, City Manager, City of Toronto

JOSEPH P. PENNACHETTI, Deputy City Manager, Chief Financial Officer and Treasurer, City of Toronto

ROBERT PETRIE, Chief Administrative Officer, Town of Whitby

JAMES PINE, Chief Administrative Officer, County of Hastings

DANA RICHARDSON, Assistant Deputy Minister, Local Government & Planning Policy Division, Ministry of Municipal Affairs and Housing

STEVEN ROBINSON, Chief Administrative Officer, Town of Cobourg

BRIAN ROSBOROUGH, Director of Policy, Association of Municipalities of Ontario

SRIRAM SUBRAHMANYAN, Assistant Deputy Minister, Provincial Local Finance Division, Ministry of Finance

JOE TORLONE, Chief Administrative Officer, City of Timmins

MICHAEL TROJAN, Chief Administrative Officer, Niagara Region

PAT VANINI, Executive Director, Association of Municipalities of Ontario

Fiscal Architecture and Economic Competitiveness

HEATHER ADAMS, Administrator/Economic Development Officer, Town of Aylmer

NIGEL BELLCHAMBER, General Manager, Ontario Municipal Administrators' Association

VANESSA BENNETT, Treasurer, United Counties of Stormont, Dundas & Glengarry

DAN COWIN, Executive Director, Municipal Finance Officers' Association of Ontario

JANET HOPE, Acting Assistant Deputy Minister, Housing Division, Ministry of Municipal Affairs and Housing

SHIRLEY HOY, City Manager, City of Toronto

BILL HUGHES, Acting Assistant Deputy Minister, Infrastructure Policy & Planning Division, Ministry of Energy and Infrastructure

CLIODHNA MCMULLIN, Acting Assistant Deputy Minister, Provincial-Municipal Fiscal & Service Delivery, Ministry of Community and Social Services

DAVID CARTER-WHITNEY, Assistant Deputy Minister, Social Policy Development Division, Ministry of Community and Social Services

LAUREL MCCOSHMAN, Policy Advisor, Association of Municipalities of Ontario

WILLIAM MOORE, Chief Administrative Officer/Clerk, Township of Chatsworth

JOSEPH P. PENNACHETTI, Deputy City Manager, Chief Financial Officer and Treasurer, City of Toronto

JAMES PINE, Chief Administrative Officer, County of Hastings

CRAIG REID, Senior Policy Advisor, Association of Municipalities of Ontario

JOSEPH RINALDO, General Manager, Finance & Corporate Services, City of Hamilton

BRIAN ROGERS, Chief Administrative Officer, City of North Bay

ROBERTO ROSSINI, Director of Finance, City of Mississauga

BRIAN ROSBOROUGH, Director of Policy, Association of Municipalities of Ontario

LLOYD RUSSELL, Commissioner of Finance & Treasurer, Regional Municipality of York

LARRY RYAN, Chief Administrative Officer, Regional Municipality of Waterloo

BOB SEGUIN, Assistant Deputy Minister, Economic Development Industry Division, Ministry of Economic Development

SRIRAM SUBRAHMANYAN, Assistant Deputy Minister, Provincial Local Finance Division, Ministry of Finance

PAT VANINI, Executive Director, Association of Municipalities of Ontario

MATTHEW WILSON, Senior Policy Advisor, Association of Municipalities of Ontario

GARY WOOD, Chief Administrator Officer, County of Grey

Infrastructure Table

BILL HUGHES, Acting Assistant Deputy Minister, Infrastructure Policy & Planning Division, Ministry of Energy and Infrastructure

DAN COWIN, Executive Director, Municipal Finance Officers' Association of Ontario

VIC COTÉ, General Manager of Finance & Corporate Services, City of London

PETER DANCE, Director of Public Works, City of Orillia

STEVEN DAVIDSON, Assistant Deputy Minister, Culture Policy, Programs & Services Division, Ministry of Culture

MICHAEL GARRETT, Chief Administrative Officer, Regional Municipality of York

LARRY KEECH, Chief Administrative Officer/Clerk, County of Lennox & Addington

ANDY KOOPMANS, Executive Director, Association of Municipal Tax Collectors of Ontario

JOSEPH FRATESI, Chief Administrative Officer, City of Sault Ste. Marie

JOHN LIEOU, Assistant Deputy Minister, Integrated Environmental Planning Division, Ministry of the Environment

LAUREL MCCOSHMAN, Policy Advisor, Association of Municipalities of Ontario

PATRICK MOYLE, Chief Administrator Officer, Municipality of Halton

DAVID O'TOOLE, Assistant Deputy Minister, Policy & Planning Division, Ministry of Transportation

JOSEPH P. PENNACHETTI, Deputy City Manager, Chief Financial Officer and Treasurer, City of Toronto

DANA RICHARDSON, Assistant Deputy Minister, Local Government & Planning Policy Division, Ministry of Municipal Affairs and Housing

CRAIG REID, Senior Policy Advisor, Association of Municipalities of Ontario

NANCY SCHÉPERS, Manager, Planning, Transit & the Environment, City of Ottawa

ADRIENNE SCOTT, Assistant Deputy Minister, Integrated Environmental Planning Division, Ministry of the Environment

MARIAN SIMULIK, Director, Financial Services/City Treasurer, City of Ottawa

JOE TIERNAY, Executive Director, Ontario Good Roads Association

BRIAN ROSBOROUGH, Director of Policy, Association of Municipalities of Ontario

SRIRAM SUBRAHMANYAN, Assistant Deputy Minister, Provincial Local Finance Division, Ministry of Finance

GERRY WOLTING, Acting Chief Administrative Officer, Municipality of Chatham-Kent

Service Delivery Accountability Table

CLIODHNA MCMULLIN, Acting Assistant Deputy Minister, Provincial-Municipal Fiscal & Service Delivery, Ministry of Community and Social Services

DAVID CARTER-WHITNEY, Assistant Deputy Minister, Social Policy Development Division, Ministry of Community and Social Services

SUE CORKE, Deputy City Manager, City of Toronto

DAVID COURT, Chief Administrative Officer, District of Algoma

JAMES GREEN, Chief Administrative Officer, District Municipality of Muskoka

RUTH HAWKINS, Executive Lead, Direct & Corporate Services Division, Ministry of Health and Long-Term Care

JANET HOPE, Acting Assistant Deputy Minister, Housing Division, Ministry of Municipal Affairs and Housing

BRIAN HUTCHINGS, Commissioner of Community Services, Regional Municipality of Niagara

LAUREL MCCOSHMAN, Policy Advisor, Association of Municipalities of Ontario

NANCY MATTHEWS, General Manager, Children's Services, City of Toronto

JANET MENARD, Commissioner of Social Services, Regional Municipality of Peel

MARK MIETO, Chief Administrative Officer, City of Sudbury

PATRICIA MOORE, General Manager, Health & Social Services, County of Norfolk

RICK O'CONNOR, Director of Legal Services, City of Ottawa

JOSEPH P. PENNACHETTI, Deputy City Manager and Chief Financial Officer and Treasurer, City of Toronto

DANA RICHARDSON, Assistant Deputy Minister, Local Government & Planning Policy Division, Ministry of Municipal Affairs and Housing

CRAIG REID, Senior Policy Advisor, Association of Municipalities of Ontario

CARL ROSS, Director of Community & Social Services, County of Northumberland

BRIAN ROSBOROUGH, Director of Policy, Association of Municipalities of Ontario

ELIZABETH SAVILL, Chief Administrative Officer/Clerk, County of Frontenac

DARRYL STURTEVANT, Assistant Deputy Minister, Strategic Policy & Planning Division, Ministry of Children and Youth Services

MICHAEL TROJAN, Chief Administrative Officer, Niagara Region

ADELINA URBANSKI, Commissioner of Social & Community Services, Regional Municipality of Halton

PETRA WOLFBEISS, Senior Policy Advisor, Association of Municipalities of Ontario

Municipal Fiscal Health Working Group

NIGEL BELLCHAMBER, General Manager, Ontario Municipal Administrators' Association

VANESSA BENNETT, Treasurer, United Counties of Stormont, Dundas & Glengarry

LEN BRITTAIN, Director, Corporate Finance Division, City of Toronto

DAN COWIN, Executive Director, Municipal Finance Officers' Association of Ontario

ALLAN DOHENY, Director, Property Tax Analysis & Municipal Funding Policy, Provincial Local Finance Division, Ministry of Finance

HELEN HARPER, Director, Provincial Local Initiatives Branch, Provincial Local Finance Division, Ministry of Finance

ROBERT HATTON, Manager, Corporate Finance Division, City of Toronto

MICHAEL PTOLEMY, Manager, Tax and Revenue Policy, Municipal Finance Policy Branch, Local Government & Planning Policy Division, Ministry of Municipal Affairs and Housing

JOSEPH RINALDO, General Manager, Finance & Corporate Services, City of Hamilton

BRIAN ROGERS, Chief Administrative Officer, City of North Bay

BRIAN ROSBOROUGH, Director of Policy, Association of Municipalities of Ontario

LLOYD RUSSELL, Commissioner of Finance & Treasurer, Regional Municipality of York

LARRY RYAN, Chief Administrative Officer, Regional Municipality of Waterloo

JEREMY HYDE, Review Team Coordinator, Provincial-Municipal Fiscal & Service Delivery Review, Intergovernmental Relations & Partnerships Branch, Local Government & Planning Policy Division, Ministry of Municipal Affairs and Housing

ALBERT HORSMAN, Manager, Financial Analysis & Reporting, Municipal Finance Policy Branch, Local Government & Planning Policy Division, Ministry of Municipal Affairs and Housing

MATTHEW WILSON, Senior Policy Advisor, Association of Municipalities of Ontario

APPENDIX B: CONSULTATIONS AND SUBMISSIONS

Since the review began in 2006 a variety of organizations were consulted or provided submissions regarding the work being undertaken. The members of the review express their thanks to all who took the time to participate in the process. The contributions made in the consultation session, e-consultation and by direct submission were invaluable to our work.

Consultation session

The review held a round table consultation session with 36 invited organizations on August 10, 2007 in Toronto. The objectives of the consultation were:

- To better understand the concerns and priorities of the respective organizations and their membership;
- To provide opportunities for these organizations to hear about the perspectives of other organizations;
- To assist the work of the review in finding a sustainable balance between the funding and service delivery responsibilities of the Province and Ontario's municipalities; and
- To obtain input and ideas regarding potential alternatives for provincial-municipal fiscal, service delivery and accountability arrangements.

There was a wide-ranging discussion at the session. Participants said that governments should recognize that there is a "single taxpayer." They agreed that the outcomes of a review must be financially sustainable and reflect a shared vision.

Many participants were of the opinion that:

- municipal property taxes should not pay for social assistance benefit programs;
- the federal government should share its revenues especially with respect to infrastructure development; and that
- it is important to promote Ontario's economic competitiveness by marketing a world class culture, quality of life and a predictable investment environment.

Participants also made the point that long-term plans contribute to stability and that there should be an emphasis placed on outcome-based planning. A list of the organizations who attended the consultation and a summary of their discussions is available at www.Ontario.ca/provinciamunicipalreview.

E-CONSULTATIONS

The consultation phase of the review also included an online questionnaire to learn the opinions of the people of Ontario. The review's website hosted the questionnaire. Any person from Ontario could complete the questionnaire. They could respond representing themselves, an association or an agency, a business or corporation, or a municipality. The questionnaire asked six questions about different aspects of the review ranging from the relationship between the Province and the municipalities to questions about Ontario's position in the global economy.

Results

The online questionnaire had eight respondents, mostly individuals, from across Ontario. Their views differed greatly and there was no clear consensus. Many respondents expressed a concern over taxation, but opinions varied on this issue.

The questions

- 1) How can the Province of Ontario and municipal governments build a fiscal and service delivery partnership which is accountable and beneficial to all Ontarians?
- 2) What are the strengths of the current relationship between the Provincial and municipal governments? What is working now that we should keep?
- 3) What do you see as the weaknesses of the current relationship between the Provincial and municipal governments? What is not working, and how could it be fixed?
- 4) Changes to the current system must be sustainable and affordable for both the Province and municipal governments. Each municipality differs in its location, population, size and local economies. What can be done to improve the system to achieve quality services, accountability to taxpayers, good public and fiscal policy and solutions that are fair and equitable?
- 5) This review will look at ways other provinces and municipalities fund and govern the delivery of services within Canada. Are there approaches in other provinces or elsewhere that you would like this review to consider?
- 6) This review aims to make the Province and Ontario municipalities more competitive nationally and internationally. How can Ontario's fiscal relationships and accountability arrangements changed to improve its competitiveness in a global economy?

SUBMISSIONS

In the course of the review a number of submissions were received from organizations that wished to share their views. A list of these organizations follows:

- Association of Municipalities of Ontario
- Building Industry and Land Development Association (BILD)
- Canadian Federation of Independent Business (CFIB)
- Canadian Union of Public Employees (CUPE)
- City of Mississauga
- City of Kingston
- City of Ottawa
- City of Owen Sound
- City of Toronto
- Eastern Ontario Rural Policy Development Project
- Federation of Canadian Municipalities (FCM)
- 905 Strong Communities Coalition (Durham, Halton, Peel, and York)
- Northern Ontario Large Urban Mayors
- Ontario Association of Non-Profit Homes and Service for Seniors
- Ontario Chamber of Commerce
- Ontario Home Builders' Association (OHBA)
- Ontario Municipal Social Services Association (OMSSA)
- Ontario Non-Profit Housing Association (ONPHA)
- Ontario Public Health Association (OPHA)
- Ontario Real Estate Association (OREA)
- Opasatika Township
- Township of Wellesley
- Regional Municipality of Durham
- Regional Municipality of Peel
- Social Housing Services Corporation
- Township of Tehkummah
- Town of Iroquois Falls

APPENDIX C THE WORKING TABLES

This appendix provides brief summaries of the mandates and products of the working tables on service delivery, infrastructure, and fiscal architecture and economic competitiveness. In carrying out their work, all of the tables were directed to take into consideration both the overall provincial perspective and the differing circumstances of municipalities (urban/rural, regional differences, and so on). The detailed papers on which the following summaries are based are available at www.amo.on.ca. The report reflects a consensus of the members of the political table. The table reports provided information, research, and recommendations to the political table members for their consideration. These reports were background documents developed in partnership by representatives of the Government of Ontario, City of Toronto and AMO, and do not necessarily reflect the consensus views of all the partners.

i. Service delivery accountability

This working table focused on effective service delivery arrangements that would meet the quality, affordability and accountability needs of people in Ontario, including clients of social programs, and of the provincial and municipal orders of government.

The table looked mainly at how to manage and deliver social programs effectively. Its mandate did not extend to program design.

The table considered a broad range of services and programs touching on the needs of vulnerable and at-risk people, including children, as well as public health and support for those seeking to find or upgrade employment.

The table developed a number of conclusions to provide policy guidance. In particular, the table stressed the importance of defining and working toward improved outcomes for clients of social services and programs. A central element in this approach would be an outcomes-based accountability arrangement linked to community human service plans where the Province and municipalities share accountability for outcomes. It also concluded that streamlining, modernizing and integrating various employment-related supports would improve outcomes and make better use of resources.

The table noted that much of what it proposed was closely aligned with the Province's poverty reduction agenda. The table has done considerable work analyzing background issues and developing options. This material should be provided as advice to the Premier's Early Learning Advisor, the Long-Term Housing Strategy and the Poverty Reduction Committee. The table concluded that the Province and municipalities should continue working together on a number of aspects of service delivery to help ensure timely implementation.

ii. Infrastructure

The role of the infrastructure working table was to provide research and analytical support and to develop options in the area of municipal infrastructure, including how future infrastructure programs are designed and managed.

The table looked at the funding of municipal infrastructure, including the role of user fees, property taxes and grants, as well as the roles and responsibilities of the governments involved. It considered the linkages between municipal infrastructure and shared federal, provincial and municipal priorities in such areas as ensuring public health and safety, promoting economic competitiveness and protecting the environment.

The table's analysis points to a significant gap between the infrastructure investments of recent years and the needs going forward. In particular, there is a backlog of upkeep that has been put off for lack of resources, as well as ongoing costs to repair, rehabilitate, replace and upgrade existing systems and build new ones. Modeling carried out for the table estimated that it would take at least \$5.9 billion a year to close this gap over 10 years.

Given the size of the need and the shared interests of all orders of government in infrastructure, the table identified a package of measures to clear the maintenance backlog and ensure ongoing sustainability. It calls for recovering more infrastructure costs, where appropriate and feasible, from those who incur them through such tools as user fees, as well as for sustained public investment. The table stressed the importance of developing more information about infrastructure and basing decisions on known needs. Because of the impact of regulation on system costs, the table suggested the Province should identify the costs and benefits of proposed regulation upfront.

A chart outlining the nature of the infrastructure need, and maps showing how the need varies across the province, appear as Appendix E.

iii. Fiscal architecture and economic competitiveness

The role of the fiscal architecture and economic competitiveness working table was to provide research and analytical support with a focus on the provincial-municipal fiscal relationship and its impact on the economic competitiveness of Ontario communities. The table's goal was to advise on options around a sustainable provincial-municipal fiscal architecture going forward.

The table developed two major work products in addition to modeling the impacts of potential fiscal scenarios. These products were:

- A set of broad indicators of the fiscal health of all lower tier and single tier municipalities in Ontario, a summary of which appears as Appendix F; and
- A paper on economic competitiveness.

APPENDIX D: LOCATIONS OF ONTARIO COURTS*

Region	NORTHEASTERN		Sioux Lookout		North Grenville
Location	Blind River		Thunder Bay (2)		Ottawa
	Burk's Falls				Pembroke
	Chapleau	Region	SOUTHWESTERN		Perth
	Cochrane	Location	Brantford (2)		Peterborough (2)
	Elliot Lake		Brockton		Picton (2)
	Espanola		Cambridge		Port Hope
	Gogama		Centre Wellington		Prescott & Russell (2)
	Gore Bay		Chatham-Kent		Quinte West
	Greater Sudbury (2)		Goderich		Renfrew
	Hearst		Guelph (2)		Smiths Falls
	Hornepayne		Haldimand		South Dundas
	Iroquois Falls		Kitchener (2)		Trent Hills
	Kapuskasing (2)		Leamington		
	Kirkland Lake		London	Region	CENTRAL
	Mattawa		North Huron	Location	Barrie
	Moosonee		North Perth		Bracebridge
	North Bay		Owen Sound		Bradford-West
	Parry Sound		Sarnia		Gwillimbury
	Sault Ste. Marie		Simcoe		Brampton (2)
	Smooth Rock Falls		South Huron		Burlington
	Sundridge		St. Thomas (2)		Collingwood
	Temiskaming Shores		Stratford (2)		Fort Erie
	Thessalon		Wellington North		Hamilton (2)
	Timmins (2)		Windsor (2)		Huntsville
	Wawa		Woodstock		Midland
	West Nipissing	Region	EASTERN		Milton
	Wikwemikong	Location	Addington Highlands		Minden Hills
Region	NORTHWESTERN		Arnprior		Newmarket
Location	Atikokan		Bancroft		Oakville
	Dryden		Belleville (3)		Orangeville
	Fort Frances		Brighton		Orillia
	Greenstone (3)		Brockville		Oshawa (3)
	Ignace		Cobourg		Richmond Hill
	Kenora		Cornwall		Simcoe
	Lac Seul		Greater Napanee (2)		St. Catharines
	Manitouowadge		Kawartha Lakes		Welland
	Marathon		Killaloe, Hagarty and		Whitby (2)
	Nipigon (2)		Richards		
	Pickle Lake		Kingston (3)		Toronto (12)
	Rainy River		Minden Hills		
	Red Lake		North Frontenac		
	Schreiber		North Glengarry		

* This list may not be exhaustive.

APPENDIX E: INFRASTRUCTURE CHART AND MAPS

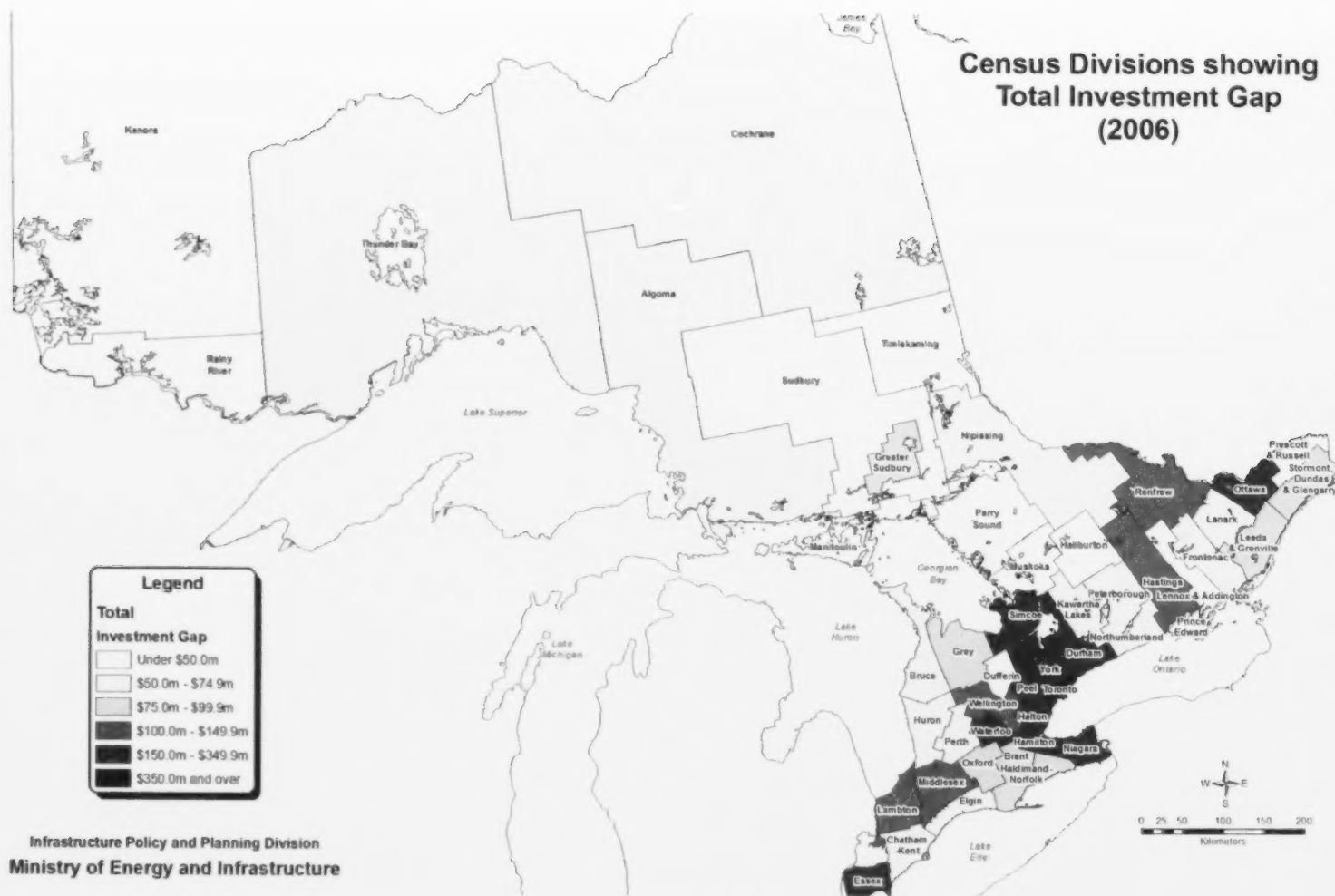
INFRASTRUCTURE GAP ESTIMATES FOR ONTARIO MUNICIPALITIES

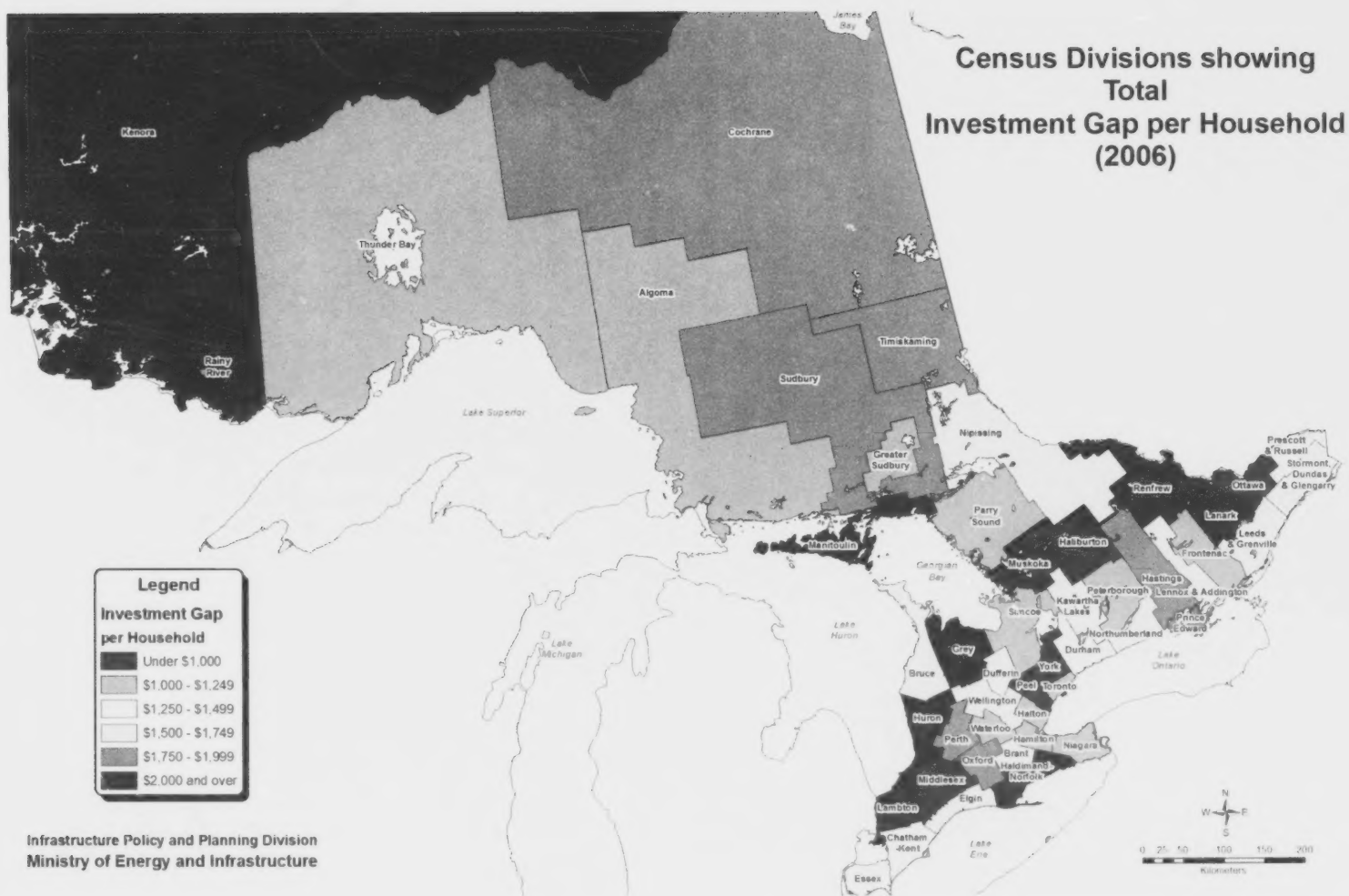
	TOTAL INVESTMENT NEEDS (\$ MILLIONS)			Average spending, past 5 years (\$ millions)	Investment gap
	For life cycle investment	To eliminate deficit in 10 years	For growth		
Roads and bridges	\$2,671.1	\$935.8	\$651.6	\$1,460.2	\$2,798.3
Water and wastewater	\$844.3	\$1,277.7	\$661.3	\$1,520.5	\$1,262.8
Stormwater	\$525.3	\$27.8	\$234.7	\$106.7	\$681.1
Transit	\$899.8	\$0.0	\$730.1	\$563.7	\$1,066.2
Conservation Authorities	\$4.4	\$3.2	\$0.0	NA	\$7.6
Solid waste management	\$316.5	NA	\$77.4	\$291.1	\$102.8
Totals	\$5,261.4	\$2,244.5	\$2,355.1	\$3,942.2	\$5,918.8

Source: Ministry of Energy and Infrastructure

Notes:

- The infrastructure gap estimate was calculated using average annual estimates from 2006 to 2045, in 2006 dollars.
- Does not include an analysis of other municipal infrastructure such as libraries, arenas, parks and recreational facilities, and other public buildings.





APPENDIX F: INDICATORS OF MUNICIPAL FISCAL HEALTH

The Fiscal Health of Ontario Municipalities - General Findings and Regional Characteristics

INTRODUCTION

The fiscal health working group included municipal experts from a cross section of municipalities as well as representatives of the Ministries of Finance and Municipal Affairs and Housing. The working group's task was to contribute to the development of a common fact base and a shared understanding regarding the financial health of Ontario's municipalities.

The working group considered a number of indicators of municipal fiscal health and attempted to blend these into a single measure. This summary provides an overview of the relative fiscal health of Ontario municipalities by region.

The fiscal health working group examined the fiscal characteristics of all single and lower tier municipalities in Ontario and compared the relative "fiscal health" of one to another and ranked them on a scale of good relative health to poor relative health. No two municipalities are identical and circumstances varied widely.

The fiscal health working group recommends continued updating and further refinement of the indicators to observe trends and to enable municipalities to monitor the fiscal health of individual municipalities as well as the municipal sector as a whole. It is important to note that municipalities are ranked against one another. In other words, it is a relative comparison of Ontario's municipalities. The working group also recommends that further work be done to compare Ontario's municipalities with those in other jurisdictions.

SPECIAL NOTE REGARDING THE INDICATORS

The measures are based on the latest available figures which in some cases are a few years old. Current circumstances or recent economic changes are not captured by the indicators. There is no perfect set of indicators that can be developed to provide definitive conclusions regarding the fiscal health of municipalities or regions.

Each municipality faces a unique blend of economic and financial challenges and a broad range of factors influence the relative fiscal health of one community over another. The group did not review upper tier municipalities to avoid duplication, however upper tier finances were allocated to constituent lower tier municipalities in order to be comparable to single tier municipalities.

SPECIAL NOTE REGARDING INFRASTRUCTURE

Available data did not permit the fiscal health working group to develop an indicator with regard to the infrastructure deficit that exists in individual municipalities. The overall health of a region or municipality and the taxpayer's capacity must be understood by looking at both the fiscal health indicators as well as the future infrastructure requirements. The fiscal health indicators will provide some insights into a municipality's ability to fund future infrastructure. This also means that caution must be used in interpreting the findings of the fiscal health indicators. A municipality can have a very positive fiscal health rating but a very significant infrastructure deficit. For a broader understanding of the infrastructure gap please refer to the infrastructure table's background paper. The 2009 implementation of PS3150 reporting of municipal tangible capital assets may highlight the need to explore this subject further in the future.

URBAN VS. RURAL ONTARIO

On a relative basis, the indicators reveal some interesting conclusions regarding urban and rural municipalities across the province:

- Almost one-third of northern municipalities rank at or near the bottom of the fiscal health scale, roughly half of the provincial total.
- Rural municipalities are evenly distributed across the fiscal health scale. However, a disproportionate number of lower ranked rural municipalities are in the North.
- Over half of rural-urban mixed municipalities scored very well. Urban municipalities tended to be at the extremes of the scale, with relatively few in the middle of the scale.
- Over 60% of urban municipalities within the Greater Toronto Area scored very well and have relatively good fiscal health.
- Better fiscal health appears to be related to recent growth in population and business activity.

COMPOSITE INDICATOR RESULTS – DECILES

(1–10, LOW VALUE EQUALS RELATIVE GOOD FISCAL HEALTH, HIGH VALUE EQUALS RELATIVE POOR FISCAL HEALTH)

	Central	Eastern	GTA*	Toronto	North	Southwest
Property taxes	7	6	8	5	4	5
Assessment base	3	6	2	3	8	5
Municipal costs	4	6	5	9	7	4
Demographics	4	6	2	1	7	6
Economic	5	6	2	8	7	4
Financial	5	7	5	10	5	6
Overall	4	6	3	7	7	5

* GTA results do not include the City of Toronto

General findings of the regional characteristics of the province were drawn by working group members and are highlighted below:

NORTHERN ONTARIO MUNICIPALITIES

Residential ratepayers in Northern Ontario pay a property tax level (property tax as a percent of median household income) that is lower than any other region in the province. However, commercial and industrial tax rates are among the highest of any region. Northern municipalities draw a very significant portion of their revenues from the provincial government through the Ontario Municipal Partnership Fund. In the absence of that fund (or some other mechanism), northern municipal tax rates would need to be 2.5 times higher than they currently are to sustain existing services. In other words, the fiscal health of northern communities in particular is highly dependent upon provincial government grants to municipalities.

Northern municipalities have experienced very little assessment growth in the last five years (2.4% compared to the Greater Toronto Area, at 24.8%, the highest). Growth tends to be generated from a small number of properties with more "one-industry towns" in the North. These communities are thus more vulnerable to adverse economic conditions because their resource-based industries are highly subject to global economic circumstances.

From 2006 to 2016, the northern population is expected to decrease by 3.1%. This demographic fact alone suggests that this region will be under significant financial pressure. In addition, the percentage of seniors in relation to the working age population is slightly higher than in the rest of the province and the percentage of youth supported by the working population is the lowest of any region. In the North the unemployment rate is higher and incomes are lower than in any other region.

This region has the second highest social service costs per household after the GTA. Northern municipalities have the lowest municipal debt per household compared to any other region, half that of municipalities in the Southwest and East, and nearly a third of the amount Greater Toronto Area municipalities owe. The relatively smaller tax bases in many northern municipalities may be a factor in local decisions to take on less debt.

SOUTH-WESTERN ONTARIO MUNICIPALITIES

Municipalities in South-western Ontario have a residential property tax rate that is comparable to rates found in Eastern and Central Ontario. Commercial and industrial property tax rates are similar to every other region except the North.

The region has benefitted from positive assessment growth (in all classes) of 9.1% from 2001 to 2007. This region does have the highest percentage of farmland, almost five times more compared to any other region. This is significant because province-wide, farmland is taxed at a discounted rate.

The South-western population has remained relatively stable for the last five years. It is expected to grow by 5.5% by 2016, slower than the Ontario average. The region has a higher youth population (compared to the working age population) than other areas of the province. The region has high employment (i.e., low unemployment), second only to the GTA, and lower levels of poverty¹.

South-western Ontario has the lowest social service costs per household despite the comparatively higher social service costs of the London and Windsor areas. Emergency service costs are about the same as those in the Central and Northern regions. Municipalities in this region have an average municipal debt level per household of \$1,239. This is comparable to levels found in Central and Eastern Ontario. Reserve levels at \$623 per household are approximately \$200 lower than the provincial average.

EASTERN ONTARIO MUNICIPALITIES

Municipalities in Eastern Ontario have a residential property tax rate that is comparable to rates found in South-western and Central Ontario. Commercial and industrial property tax rates are similar to every other region except the North. Eastern municipalities draw a significant portion of their revenues from the provincial government through the Ontario Municipal Partnership Fund. In the absence of that fund, for eastern municipalities to sustain existing services, tax rates would need to be 1.5 times higher than they currently are. In other words, the fiscal health of eastern communities in particular is highly dependent upon provincial government grants to municipalities.

Assessment growth in Eastern Ontario is the slowest of any southern region. From 2001 to 2007, assessment grew by only 6%. Among the southern regions, Eastern Ontario has the highest Rural and Small Community Measure (RSCM), meaning it is a very rural and sparsely populated area of the province.

Population growth in Eastern Ontario has been very modest, rising by only 2.9% between 2001 and 2006. It is expected to grow a further 5.8% by 2016. It has an employment rate that is about 6% lower than the average among the southern regions.

Eastern Ontario municipalities have reserves that are the lowest in the province, less than half as much as the provincial regional average. This region has an average debt per household that is similar to South-western and Central Ontario. Emergency service costs per household are the lowest in the province. Social service costs per household are approximately at the provincial regional average.

¹ Canada does not have an official poverty level definition. For the purposes of this report, the Low Income Cut Off prepared by Statistics Canada was used.

CENTRAL ONTARIO MUNICIPALITIES

Property tax and assessment data

Central Ontario has residential, commercial, and industrial tax rates which are largely on par with the provincial average. Total residential property tax as a percentage of median household income is 3.9%. Central Ontario has the second highest rate of all assessment growth in the province at 13.3% from 2001 to 2007.

Demographics and economics

Central Ontario has experienced population growth of 7.2% between 2001 and 2006. Its population is expected to grow a further 12.3% by 2016. The region has a fairly balanced youth and senior population when compared to the size of the working age population. Employment levels are slightly above the provincial regional average.

Municipal debt and reserves

Average municipal debt in this region is \$1,061 per household. Municipalities in Eastern and South-western Ontario have a debt level that is approximately \$200 more per household. Reserves levels are comparable to those found in South-western Ontario. Reserves per household in this region are \$682, approximately \$130 below the provincial average.

THE GREATER TORONTO AREA (GTA) – EXCLUDING THE CITY OF TORONTO

Property tax and assessment data

Residential property taxes in the GTA are the highest in the province compared to the median household income. The commercial and industrial rates are the lowest in the province. This region has experienced exceptional assessment growth at 24.8% from 2001 to 2007, by far the highest of any region.

Demographics and economics

Reflecting in part the significant assessment growth, population growth has also been substantial, over 15% since 2001. It is projected to grow by a further 25% to 2016, double the rate that Central Ontario is likely to experience and significantly more than any other region.

Municipal debt and reserves

Social service costs per household in municipalities surrounding Toronto are the second highest in the province but well behind those in the City of Toronto, which are about 30% higher. Similarly, emergency service costs per household are about one-third higher in the GTA compared to costs in South-western, Northern, or Central Ontario. This circumstance may reflect the higher cost of full-time fire services in more populous areas.

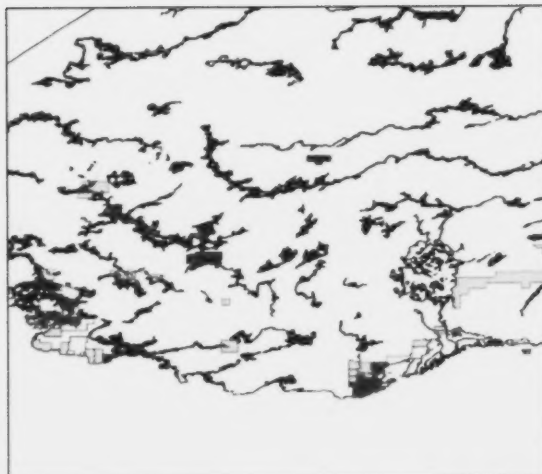
Average municipal debt per household is nearly double the debt levels of South-western, Central, and Eastern Ontario. Discretionary reserves are also significant at \$2,008 per household compared to the provincial regional average of \$819. This reflects the financing policy choices made by municipalities and may also reflect decisions such as the sale of hydro utilities, the proceeds of which have been placed in discretionary reserves.

THE CITY OF TORONTO

While circumstances vary within each regional category, in the GTA the results are often polarized between the City of Toronto and the surrounding regional municipalities. For example, vigorous assessment growth in the GTA outside Toronto was not matched in the City, where total growth from 2001 to 2007 was a modest 3.4%. The difference has been most evident in the key commercial and industrial property classes, although more current data will show that City tax policies to reduce business tax ratios are contributing to an improvement in commercial assessment growth rates.

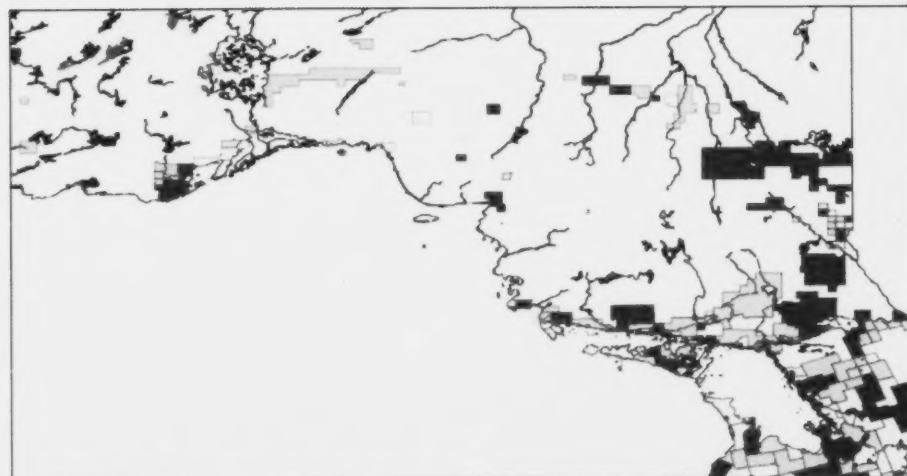
Population growth has been positive, but modest overall at 0.9% over the 2001 to 2006 period. Employment rates have been significantly lower than in the surrounding municipalities, as unemployment remained about 1% higher in Toronto than in the surrounding GTA municipalities over the period.

Also significant for Toronto is the municipal service cost burden in key program areas. For example, per capita transit ridership is about eight times as high in Toronto as in the surrounding GTA municipalities; per capita social assistance burden is about three times as high (contributing to higher 'social program and public health per household' costs), and per household emergency services costs and debt burden are each approximately 50% higher. The relatively high debt levels are a consequence of the City's significant capital investment in transit over the period compared to most other Ontario municipalities, and directly impact the City's balance sheet indicators in the financial category. The financial indicator results also explain the City's determination to seek revised fiscal arrangements with the other orders of government.



Northwestern Ontario

0 37.5 75 150 kilometers



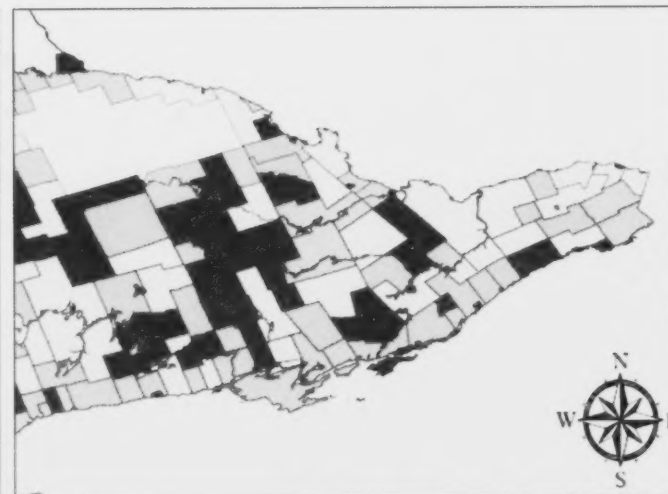
Northeastern Ontario

0 60 120 240 kilometers



Southern Ontario

0 35 70 140 kilometers

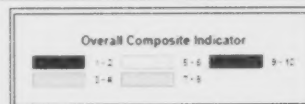


Eastern Ontario

0 35 70 140 kilometers

Municipal Fiscal Health Indicators

Overall Composite Indicator
Option A - Includes data updates



Overall Composite Indicator

1 - Relatively Good Fiscal Health, 10 - Relatively Poor Fiscal Health

Provincial Local Finance Division

SUMMARY – INDICATOR AVERAGES BY REGION (SIMPLE AVERAGES)

Indicator	Central	Eastern	GTA*	Toronto	North	Southwest
Total residential property taxes (municipal) compared to median household income	3.9%	3.3%	4.2%	2.9%	2.8%	3.2%
Average commercial/industrial tax rate	1.6%	1.8%	1.4%	2.1%	2.2%	1.8%

ASSESSMENT BASE

Total discounted, unweighted assessment per household (\$)	\$235,087	\$153,148	\$360,390	\$316,491	\$125,304	\$191,942
Weighted assessment compared to discounted, unweighted assessment	110.2%	114.5%	110.39%	178.24%	113.8%	110.9%
Real compounded weighted assessment growth (2001 to 2007)	13.3%	6.0%	23.5%	3.4%	1.1%	9.1%
Discounted, unweighted farmland and managed forest assessment as a proportion of total discounted, unweighted assessment (%)	1.9%	1.6%	0.7%	0%	1.4%	8.9%
Discounted, unweighted C/I/P Assessment compared to total discounted, unweighted assessment	9.5%	11.2%	12.7%	20%	19.4%	12.8%
% of unweighted assessment generated by the top 20 assessed properties	6.2%	9.4%	4.6%	3.1%	22.5%	9.4%

MUNICIPAL COSTS (social program, police, fire, public health, land ambulance)

Social service costs (social program + public health) per household	\$320	\$367	\$477	\$609	\$442	\$287
Social service costs (social program + public health) as a proportion of discounted, unweighted assessment	0.1%	0.3%	0.13%	0.19%	0.4%	0.2%
Social service costs (social program + public health) as a proportion of median household income	0.9%	1.2%	0.79%	1.32%	1.7%	0.7%
Emergency service costs (police, fire and land ambulance) per household	\$616	\$570	\$902	\$1,154	\$623.5	\$619.9
Emergency service costs (police, fire and land ambulance) as a proportion of discounted, unweighted assessment	0.3%	0.4%	0.26%	0.36%	0.7%	0.3%
Emergency service costs (police, fire and land ambulance) as a proportion of median household income	1.7%	1.8%	1.51%	2.5%	2.3%	1.5%

DEMOGRAPHICS

Youth population compared to working age population	25.9%	24.0%	28.3%	23.4%	23.0%	27.5%
Senior population compared to working age population	23.7%	24.8%	15.4%	18.8%	26.2%	23.1%
Five-year change in population 2001–2006	7.2%	2.9%	15.9%	0.9%	-3.0%	2.1%
Ten-year projected change in population 2006–2016	12.3%	5.8%	25%	7.4%	-3.1%	5.9%
Rural small community measure (RSCM)	66.0%	87.5%	23.1%	0%	95.3%	79.9%

SUMMARY – INDICATOR AVERAGES BY REGION (SIMPLE AVERAGES)

Indicator	Central	Eastern	GTA*	Toronto	North	Southwest
ECONOMIC						
Average government transfer (SA, EI, GIS, OAS etc.) expenditure per household	\$6,960	\$7,760	\$6,907	\$7,474	\$8,559	\$7,563
Low income population as a percent of total population	9.1%	11.6%	7.7%	22.6%	12.7%	8.6%
2001 employment rate	62.5	58.5	69.7	60.8	54.9	64.3
FINANCIAL						
Change in municipal position per household (2001–2006)	\$-208	\$-469	\$-458	\$-1,726	\$-251	\$-303
Municipal position per household (2006)	\$908	\$121	\$1,858	\$-2,038	\$1,474	\$704
Average debt per household (2006)	\$1,061	\$1,262	\$2,096	\$3,113	\$651	\$1,239
Average discretionary reserves per household (2006)	\$682	\$372	\$2,008	\$1,037	\$450	\$623

*GTA results exclude the City of Toronto

Special note regarding the indicators – The measures are based on the latest available figures which in some cases are a few years old. Current circumstances or recent economic changes are not captured by the indicators. There is no perfect set of indicators that can be developed to provide definitive conclusions regarding the fiscal health of municipalities or regions. Each municipality faces a unique blend of economic and financial challenges and a broad range of factors influence the relative fiscal health of one community over another.

INDICATOR DESCRIPTIONS, SOURCES AND WEIGHTING

Indicator	Description	Does low value equal better relative fiscal health?	Weight within category	Weight overall composite
-----------	-------------	---	------------------------------	--------------------------------

All of the six categories below are weighted equally (16.7% each) to determine fiscal health results. Weights within categories and the overall weight of each indicator are noted in the two columns at right.

PROPERTY TAXES Source: 2007 MPAC assessment roll and municipal tax rate bylaws

Total municipal residential property taxes compared to median household income	Average residential municipal property taxes per household as a proportion of median household income.	Yes	75.0%	12.5%
Average commercial/industrial tax rate	Total municipal commercial & industrial tax revenue divided by un-weighted commercial and industrial assessment.	Yes	25.0%	4.17%

ASSESSMENT BASE Source: 2007 MPAC assessment roll and municipal tax rate bylaws

Total raw assessment per household (\$)	Total raw assessment divided by number of households.	No	10.0%	1.67%
Weighted assessment compared to raw assessment	Total weighted assessment divided by total raw assessment.	Yes	10.0%	1.67%
Real compounded weighted assessment growth (2001 to 2007)	Adjusted to remove "reassessment" related change.	No	30.0%	5.0%
Raw farmland and managed forest assessment as a proportion of total raw assessment (%)	Raw farmland and managed forest assessment divided by total raw assessment.	Yes	10.0%	1.67%
Raw commercial, industrial and pipeline assessment compared to total raw assessment	Raw commercial, industrial and pipeline assessment divided by total assessment.	No	10.0%	1.67%
% of raw assessment generated by the top 20 assessed properties	Total assessment from the 20 largest assessed properties divided by total municipal assessment.	Yes	30.0%	5.0%

MUNICIPAL COSTS Source: Ministries of Community and Social Services, Children and Youth Services, the Ontario Provincial Police, and the 2006

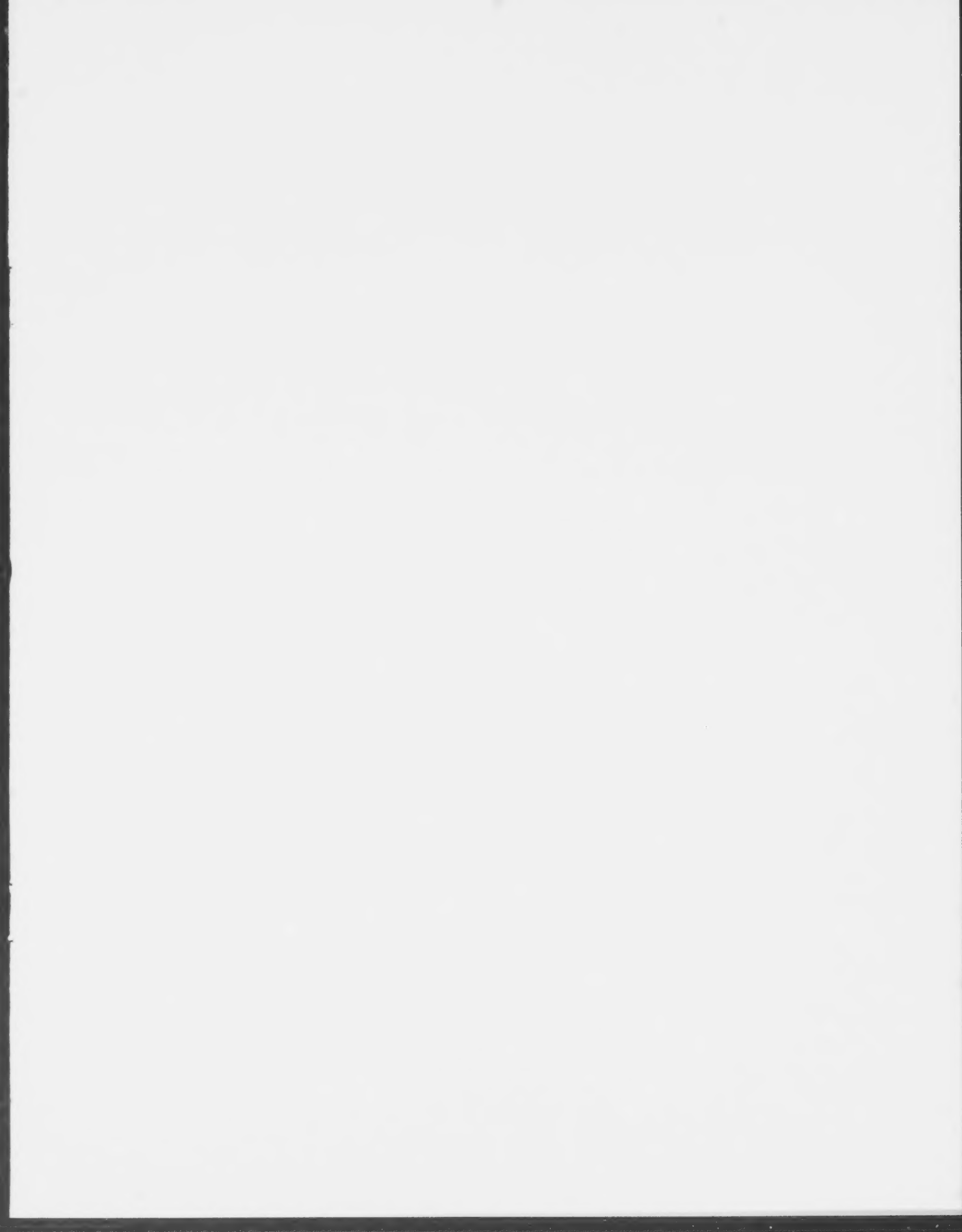
Municipal Financial Information Return

Social service costs (social program and public health): per household, as a proportion of total raw assessment, and median income (3 different indicators)	Social services costs include social program costs and public health costs.	Yes	16.7% per indicator (3)	2.78% per indicator (3)
Emergency service costs (police, fire and land ambulance): per household, as a proportion of total raw assessment, and median income (3 different indicators)	Emergency services costs include police costs, fire protection costs, land ambulance costs.	Yes	16.7% per indicator (3)	2.78% per indicator (3)

INDICATOR DESCRIPTIONS, SOURCES AND WEIGHTING

Indicator	Description	Does low value equal better relative fiscal health?	Weight within category	Weight overall composite
DEMOGRAPHICS Source: Statistics Canada 2001 Census, Ministry of Finance population projections				
Youth population compared to working age population	Total population age 0–14 divided by population ages 15–64.	Yes	25.0%	4.17%
Senior population compared to working age population	Total population age 65+ divided by population ages 15–64.	Yes	25.0%	4.17%
Five-year change in population 2001–2006	2006 census population compared to 2001 census population.	No	20.0%	3.33%
Ten-year projected change in population 2006–2016	Projected population in 2016 divided by population in 2006 census.	No	5.0%	0.83%
Rural Small Community Measure (RSCM)	Rural Small Community Measure. Measures the proportion of a municipality's population residing in rural or small communities.	No	25.0%	4.17%
ECONOMIC Source: Statistics Canada 2001 Census				
Average government transfer (Social Assistance, Employment Insurance, Guaranteed Income Supplement, Old Age Security etc.) expenditure per household	Total government transfers (Social Assistance, Employment Insurance, Guaranteed Income Supplement, Old Age Security) divided by number of households.	Yes	25.0%	4.17%
Low income population as a percent of total population	Population with income below LICO (Low Income Cut Off) divided by total population.	Yes	50.0%	8.33%
2001 employment rate	Total employed population divided by total labour force (aged 15 or more).	No	25.0%	4.17%
FINANCIAL Source: 2006 Municipal Financial Information Returns				
Change in municipal position per household (2001–2006)	Municipal position per household in 2006 minus municipal position per household in 2001 (2001 FIR).	No	25.0%	4.17%
Municipal position per household (2006)	Municipal position in 2006 divided by the number of households.	No	35.0%	5.83%
Average debt per household (2006)	Total debt in 2006 divided by the number of households.	Yes	20.0%	3.33%
Average discretionary reserves per household (2006)	Total discretionary reserves in 2006 divided by the number of households.	No	20.0%	3.33%

¹ Canada does not have an official poverty level definition. For the purposes of this report, the Low Income Cut Off (LICO) prepared by Statistics Canada was used.





Mixed Sources

Wood and paper products with this logo
have been sourced from well-managed
forests and other controlled sources.

www.fsc.org Cert no. COC-1101-0001-0001
© 1996 Forest Stewardship Council

For more information, go to ontario.ca/provincialmunicipalreview

Ministry of Municipal Affairs and Housing

ISBN 978-1-4249-7519-8 (Print)

ISBN 978-1-4249-7521-1 (PDF)

© Queen's Printer for Ontario, 2008

3M/10/08

Disponible en français sous le titre *Examen provincial-municipal du financement et du mode de prestation des services : Envisager l'avenir ensemble*